

PwC's report on cities of the
Guangdong-Hong Kong-Macao Greater Bay Area

To develop new growth potential in the

Guangdong-Hong Kong-Macao GBA:

Zhongshan





Contents

Foreword.....	3
I. Overview of Zhongshan.....	4
II. Key districts in focus.....	7
III. Key industries.....	9
IV. Development opportunities.....	12
V. Preferential policies.....	13
Conclusion.....	15
Acknowledgements.....	16
Contacts.....	17



Foreword

Since the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (Outline Development Plan)* was officially released in February 2019, corresponding measures have been implemented in a holistic way. Driven by the goal of high-quality development, cities in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) are in an unprecedented critical period in their development.

Zhongshan is located at the geographical core of the GBA. Powered by the construction and development of both the GBA and the pilot zone “demonstrating socialism with Chinese characteristics” in Shenzhen, Zhongshan faces golden development opportunities that are out-of-reach to other cities in China. The city, is moving forward “the fulcrum for integrated development of cities on the east and west banks of the Pearl River, the hub of the coastal economic belt, and an important pole of the Guangdong-Hong Kong-Macao Greater Bay Area”.

PwC launched the Cities of Opportunity in the Greater Bay Area report series in 2019. This edition on Zhongshan is the fourth in the series, mainly focusing on the city’s overall situation, crucial regions, key industries and preferential policies. The report also explains the new drivers for Zhongshan’s economic growth and the new challenges facing its urban development. We hope this report will provide a useful reference and learning resources for policy makers, enterprises and investors.

At PwC, we have always shown great support for the implementation plans for the GBA, and we will continue to play a part in driving this ambitious development strategy. Please refer to our past GBA city series that looked at *Zhuhai*¹, *Dongguan*² and *Foshan*³

¹ PwC’s Report on Cities of the Guangdong-Hong Kong-Macao Greater Bay Area: Zhuhai, <https://www.pwccn.com/zh/research-and-insights/greater-bay-area/publications/city-report-greater-bay-area-zhuhai.html>

² PwC’s Report on Cities of the Guangdong-Hong Kong-Macao Greater Bay Area: Dongguan, <https://www.pwccn.com/zh/research-and-insights/greater-bay-area/publications/greater-bay-area-economic-growth-dongguan.html>

³ PwC’s Report on Cities of the Guangdong-Hong Kong-Macao Greater Bay Area: Foshan, <https://www.pwccn.com/zh/research-and-insights/greater-bay-area/publications/greater-bay-area-economic-growth-foshan.html>



I. Overview of Zhongshan

Zhongshan is a prefecture-level city under the jurisdiction of Guangdong Province. Located at the south-central part of the Pearl River Delta (PRD) and standing on the west bank of the Pearl River Estuary, it is connected to Guangzhou on the north and adjacent to Hong Kong and Macao. Zhongshan enjoys unique geographical advantages as the centre of the GBA, enabling it to reach out in all directions. Zhongshan, known as Xiangshan in ancient times, is the hometown of Mr Sun Zhongshan, a great man of his time. In 1925, it was renamed as Zhongshan County in honour of Mr Sun, and became a prefecture-level city in 1988. Zhongshan is also well-known as the hometown of overseas Chinese, with more than 900,000 residing in Hong Kong, Macao and Taiwan⁴.



⁴ District Population, http://www.zs.gov.cn/zjzs/zsgk/content/post_1669002.html



With the new development goal of "Zhongshan, Hub of the GBA", special emphasis is placed on the construction of transportation infrastructure. Zhongshan aims to become an important comprehensive transportation hub in the west of the GBA, and enhancing its connectivity with other cities in the area by accelerating the construction of transportation infrastructures such as railways, highways and ports.

Key initiatives of Zhongshan's transportation infrastructures include⁵:

- **Construction of the Shenzhen-Zhongshan Link (a sea-crossing link between Shenzhen and Zhongshan cities)** - It is expected to be completed and put into use in 2024 and will reduce the travel time between Zhongshan and Shenzhen from 2 hours to 30 minutes.
- **Speeding up highway constructions** - Construction of highways such as Zhongshan-Kaiping Expressway, Eastern Outer Ring Expressway and Western Ring Expressway is moving ahead.
- **Accelerating the construction of a new passenger terminal at Zhongshan Port** - The new terminal will not only shorten the voyage of current routes, but also open new ways to the Macao International Airport, Macao Outer Harbour Ferry Terminal and Shekou Port in Shenzhen.
- **Promoting the construction of rail transit** - The construction of Shenzhen-Maoming railway and Nansha Port railway is being accelerated, while the proposed high-speed rail line of Guangzhou-Zhongshan-Zhuhai-Macao is under study. Guangzhou Metro Line 18, currently under construction, will stretch to Zhongshan, and the plan for building West PRD subway network⁶ is underway.

Population and economic scale

At the beginning of China's reform and opening up, Zhongshan was one of the most prosperous areas in the PRD and known as one of the "Four Tigers of Canton" together with Shunde, Nanhai and Dongguan. However, due to some cumulative and structural problems, its economy has been facing downward pressure in recent years. In 2019, Zhongshan achieved a GDP of RMB 310.11 billion, an increase of 1.2% over the previous year⁷, indicating certain gap between the overall growth rate of 6.2% in Guangdong Province over the same period.

As of the end of 2019, Zhongshan's residential population was 3.38 million, of which its urban residential population was 2.9879 million, with an urbanisation rate of 88.40%⁸. The number is far behind the city's population goal of 3.65 million in 2020 set in its "13th Five-Year Plan".

According to the *Guangdong Population Development Plan (2017-2030)*⁹ issued by the Government of Guangdong Province, it is necessary to further strengthen the joint development of large, medium and small cities in the province, enhance the attractiveness of small and medium-sized cities, small towns and peripheral node areas to migrants, and moderately increase the population aggregation in several cities including Zhongshan.

Major economic indicators for Zhongshan (2017-2019)¹⁰

Year	Permanent residential population ('0 thousand)	GDP (RMB'00 million)	Per capita GDP (RMB/capita)
2017	326	3,450.31	106,327
2018	331	3,053.73	92,258
2019	338	3,101.10	92,709

Source: Zhongshan Municipal Statistics Bureau

⁵ Work Summary of 2019 and Work Plan for 2020 of Zhongshan Municipal Transportation Bureau, http://jt.zs.gov.cn/xxml/zwgk/gjhjzj/ndjtgzjhjzj/content/post_1693505.html

⁶ Understand the Work Report of the Municipal Government and "light up" the future of Zhongshan, https://mp.weixin.qq.com/s/Pk41McGyUx_Wlh77mPdTnA

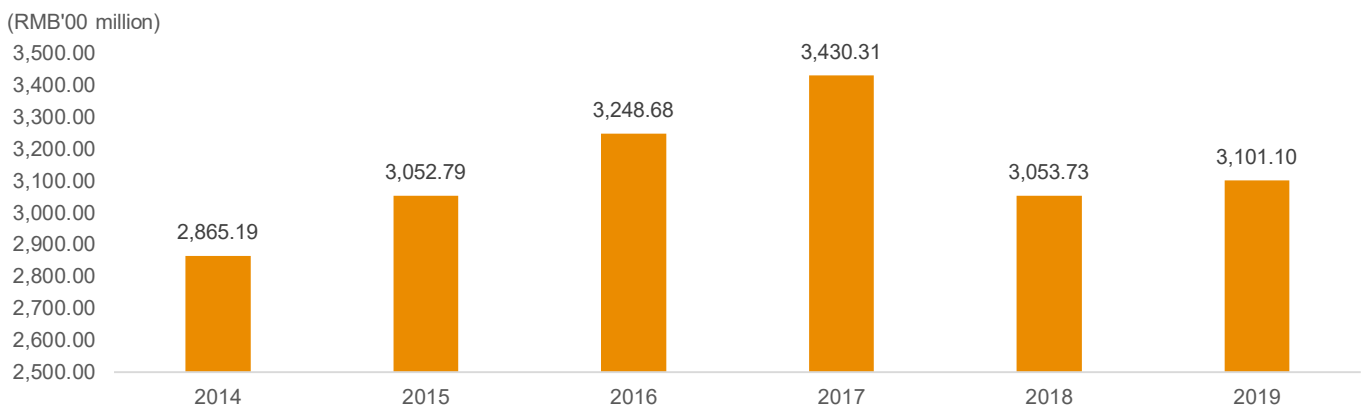
⁷ Announcement of Zhongshan Municipal Statistics Bureau on the GDP in 2018 and 2019, http://stats.zs.gov.cn/zwgk/tjxx/tjgb/content/post_1683041.html

⁸ Statistical Communique of Zhongshan on National Economy and Social Development in 2019, http://stats.zs.gov.cn/gkmlpt/content/1/1721/post_1721362.html#405

⁹ Notice of the People's Government of Guangdong Province on Issuing the Guangdong Population Development Plan, http://www.gd.gov.cn/gkmlpt/content/0/146/post_146685.html#7

¹⁰ Based on the national audit system and the results of the Fourth National Economic Census, Zhongshan Municipal Statistics Bureau has made amendments of the GDP of 2018. The table lists the revised GDP data, and GDP per capita is calculated based on the revised data.

GDP of Zhongshan in 2014-2019



Source: Zhongshan Statistical Yearbook

Urban competitiveness

According to the *Cities of Opportunity 2019*¹¹ report jointly issued by PwC and the China Development Research Foundation, Zhongshan ranks in the top three among 38 cities across the country in terms of number of granted patents, available housing for residents and logistics efficiency, and also plays a leading role in commercial cost and e-commerce.

Rank first: number of granted patents; available housing for residents

Rank third: logistics efficiency

Rank fourth: average salary of employees; cost of commercial land

Rank fifth: e-commerce development index; road area per capita

Rank eighth: residential water resource per capita

Zhongshan is a famous national historical and cultural city conferred by the State Council and was granted the title of “National Forest City” in 2018.

- In the *17th Report on China’s Urban Competitiveness* issued by the Chinese Academy of Social Sciences, Zhongshan ranked 25th in terms of comprehensive urban competitiveness in 2018¹².
- In the *Global Urban Competitiveness Report (2019-2020)* jointly issued by the Chinese Academy of Social Sciences and the UN-Habitat, Zhongshan ranked 149th out of the top 200 cities globally with sustainable competitiveness, and ranked 21st among 31 Chinese cities¹³ on the list.

According to the *Report on the Work of Zhongshan Municipal Government* in 2020, Zhongshan is committed to vigorously advancing the construction of a “digital government” data centre, promoting the reform of the construction project approval system and further improving the business environment in Zhongshan in the near future.

¹¹ *Cities of Opportunity 2019*, <https://www.pwccn.com/zh/research-and-insights/chinese-cities-of-opportunities-2019-report.html>

¹² Latest News! Zhongshan Ranks... among Chinese Cities with Comprehensive Economic Competitiveness, <http://bendi.news.163.com/guangdong/19/0625/16/EIHGFM9Q04178DB B.html>

¹³ Big News! List of Global Cities with Sustainable Competitiveness Released, with Zhongshan on the List, <https://zsrapp.zsnews.cn/home/content/newsContent/1/531396>



PwC’s point of view:

- Zhongshan has unique geographical advantages and is attractive to enterprises due to its strong industrial foundation and favourable land price, as well as preferential investment policies. Its distinctive geographical advantages will be further enhanced by the operation of the Shenzhen-Zhongshan Link in 2024. This together with other infrastructure projects are expected to solve traffic bottleneck problems plaguing Zhongshan and surrounding cities, and boosting the sustainable development of the city.
- However, there are also weaknesses, such as insufficient basic infrastructures, lack of colleges and universities and a relatively short supply of mid-and high-end talents. By virtue of the comprehensive construction of the GBA, Zhongshan can achieve high-quality city development by boosting new urbanisation, promoting the construction of infrastructure and public service systems and improving the business environment to further enhance the capability of industrial aggregation and attract high-end resource elements and high-quality talents.



II. Key districts in focus

According to the Planning of Zhongshan¹⁴, it is necessary to expedite the compilation of a high standard Zhongshan 2035 territorial and spatial master plan. In 2020, the *Report on the Work of Zhongshan Municipal Government* also indicates that it is essential to further promote the industrial gradient layout and the scientific distribution of urban functions from a global perspective. The report, also points out the direction for Zhongshan's development in the future:

The Eastern Area	Industry development planning, science and technology, transportation and public service facilities, with special emphasis on the Shenzhen-Zhongshan industrial expansion corridor
The Central Area	Take advantages of Qijiang New City to fully enhance urban service functions and the urban primacy of the central city.
The Western Area	Construct high-end industrial clusters on the west bank of the Pearl River Estuary, and develop a platform for the development of key industries in the west of the GBA and new growth potential.

Key districts in focus

Cuiheng New District	Opening up and developing Cuiheng New District at a high starting point and with high standards, and expediting the establishment of an international medical city, design port and innovation park.
Qijiang New City	Improving the planning of Qijiang New City and pushing forward the land rearrangement in the key districts.

Zhongshan covers a total area of 1783.67 km² and has 25 towns and areas under its jurisdiction, including one national Torch High-tech Industrial Development Zone and Cuiheng New District.

Zhongshan and Dongguan are among the five prefecture-level cities in China without administrative districts. Since the reform and opening up, Zhongshan has adopted the flat management model of “all towns under the governance of the city”, which largely inspires the initiative to develop towns, and raised many powerful towns with specialised functions. However, such development model has also brought about some noticeable issues, such as scattered resource utilisation, unbalanced regional development and weak attraction for high-end talents.

In order to improve the overall resources planning in Zhongshan, the city issued the *Opinions on the Implementation of Cluster-based Development Strategy*, which divided its 25 towns in Zhongshan into five clusters: central, eastern, northeastern, northwestern, and southern, to coordinate the cluster-based development of the city¹⁵.

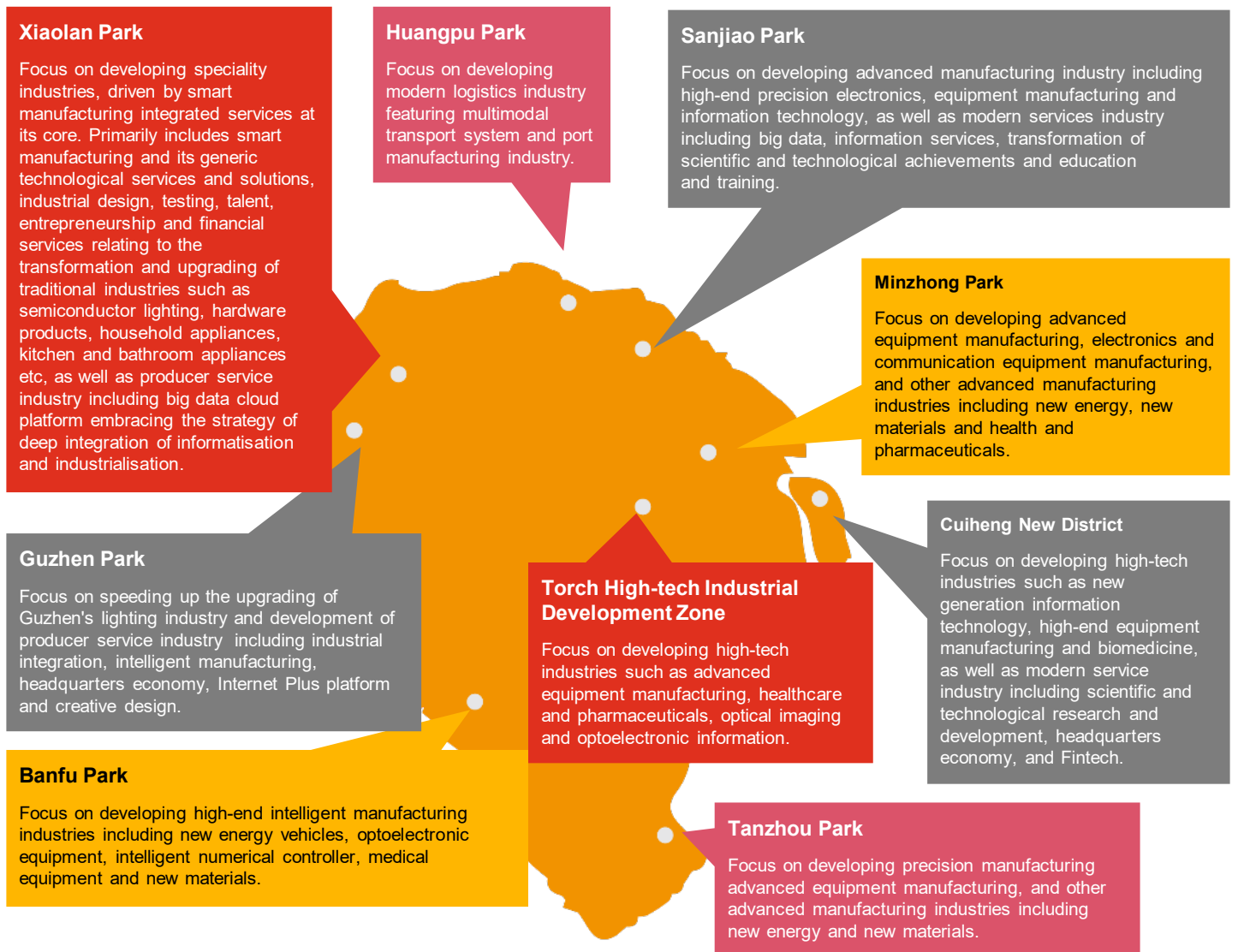
Cluster	Scope	Characterisation
Central cluster	Include eight towns and areas, i.e. Shiqi District, Eastern District, Western District, Southern District, Wuguishan Town, Gangkou Town, Shaxi Town and Dayong Town.	To be the best cluster in an excellent, livable city in the PRD, with a focus on the development of a modern service industry and headquarters economy to continuously enhance the urban primacy.
Eastern cluster	Include three towns and areas, i.e. Torch Development Zone, Cuiheng New District and Nanlang Town.	To be the important base for technological industrial innovation and an important destination for cultural leisure tourism in the GBA, with a focus on connecting Shenzhen, Hong Kong and Macao.
Northeastern cluster	Include three towns, i.e. Sanjiao Town, Minzhong Town and Huangpu Town.	To be the important base of the industrial belt for advanced equipment manufacturing, the hub of modern logistics and the ecological and agricultural functional area in the west bank of the Pearl River, with a focus on connecting Guangzhou, Shenzhen and Foshan.
Northwestern cluster	Include seven towns, i.e. Xiaolan Town, Guzhen Town, Henglan Town, Dongsheng Town, Nantou Town, Dongfeng Town and Fusha Town.	To be a strong cluster for manufacturing that has significant national and global influence, with a focus on connecting Guangzhou, Foshan and Jiangmen.
Sothern cluster	Include four towns, i.e. Sanxiang Town, Tanzhou Town, Banfu Town and Shenwan Town.	To be the important growth potential and intelligent manufacturing leading zone for advanced equipment manufacturing industry in the west bank of the Pearl River and an important cluster for ecological leisure tourism in the GBA, with a focus on connecting Hong Kong, Macao and Zhuhai.

Another initiative is to plan and develop platforms for key industries. In 2017, the Zhongshan Municipal Government issued a *List of Zhongshan's Industrial Development Platforms*, and plans to establish nine zones and parks - Torch High-tech Industrial Development Zone, Cuiheng New District Park, Minzhong Park, Sanjiao Park, Huangpu Park, Tanzhou Park, Banfu Park, Xiaolan Park and Guzhen Park¹⁶.

¹⁴ To Develop Zhongshan into the Hub of the Great Bay Area, <http://www.zsnews.cn/zhuanti/index/view/cateid/701/id/643490.html>

¹⁵ Overall Implementation of Zhongshan's Cluster-based Development Strategy, http://www.zs.gov.cn/gkmlpt/content/0/915/post_915075.html#684

¹⁶ Notice of Zhongshan Municipal People's Government on Issuing the List of Zhongshan's Industrial Development Platforms, http://www.zs.gov.cn/zwgk/wgk/jcgk/jchgk/content/post_288057.html



PwC's point of view:

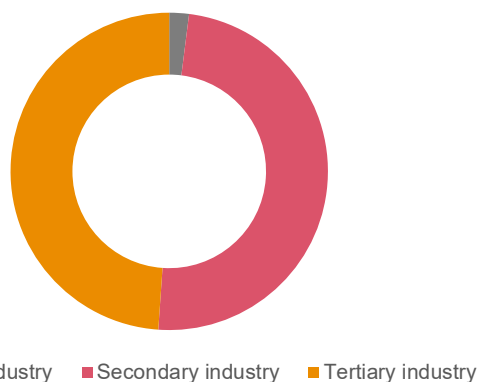
- Infrastructure is an essential hardware for industrial parks to attract investments, improve investment environment and carry out project construction. With economic globalisation, investors are placing increasingly high requirements on the investment environment, especially supporting infrastructures. The development of traditional industrial parks mainly depends on financial subsidies. Due to the long recovery period of investments in infrastructure construction and a lack of well-established funds-generating functions, government investors often get stuck by insufficient funds in the operation and management of industrial parks. Therefore, it is necessary to broaden the financing channels. In addition to seeking for various financial funds, industrial parks should also explore diversified investment mechanism and encourage and support investments from enterprises, society and individuals.
- The current decentralised development pattern of Zhongshan's industrial parks and towns may disperse the development efforts. The city should take advantage of the two dominant industrial parks of Cuiheng New District and Torch High-tech Industrial Development Zone to build the image of Zhongshan among investors, and later drive the development of the seven potential industrial parks to create a "2+7" synergy mechanism, which may be more effective.



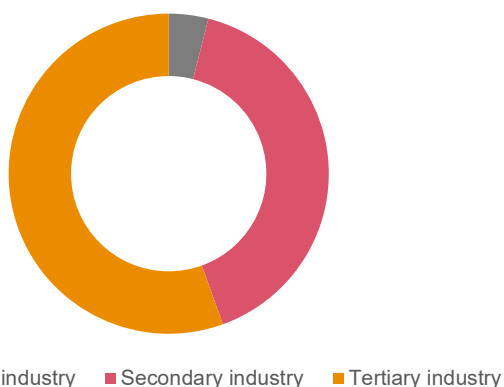
III. Key industries

In 2019, the proportion of the primary, secondary and tertiary industries to the GDP of Zhongshan was 2.0: 49.1: 48.9 compared to that of Guangdong Province of 4.0: 40.5: 55.5. It indicates that Zhongshan was still dominated by the secondary industry. The tertiary industry was at a development level lower than the provincial average, but with a relatively higher growth rate, i.e. a year-on-year increase of 1.4% in added value in 2019.

Industrial proportion of Zhongshan in 2019 (%)



Industrial proportion of Guangdong in 2019 (%)



According to the *Report on the Work of Zhongshan Municipal Government* in 2020, it is important to make innovation the leading force in the development of the real economy, accelerate the cultivation of new economic drivers, actively push ahead the transformation and upgrading of especially competitive industries and enhance the foundation for high-quality economic development. Key initiatives include:

- Vigorously developing new generation of information technology, health and pharmaceuticals and high-end equipment manufacturing.

- Planning the layout of emerging industries such as artificial intelligence, digital economy, new materials and new energy.
- Further strengthening industrial clusters such as smart home and electronic information.
- Facilitating the integrated development of advanced manufacturing and modern service industry, promoting the development of industrial internet and encouraging 1,000 industrial enterprises to use clouds and platforms.

According to the report, Zhongshan will increase its investments in industries and strive to solve its capital increase and capacity expansion problems with an industrial investment of no less than RMB 22 billion in 2020. Meanwhile, it will also actively promote the construction of new infrastructures such as 5G, data centre and industrial internet.

Overview of the industries

Zhongshan has a good industrial foundation with 3,443 industrial enterprises above designated size. In 2019, the added value of these industrial enterprises fell by 2.0%. In terms of economic types, the added value of state-owned and state-holding enterprises increased by 6.0%; that of private enterprises rose by 1.2%; foreign and Hong Kong, Macao and Taiwan enterprises decreased by 6.1%; while joint-stock cooperative enterprises rose by 2.1%.

In terms of industries, the added value of high-tech manufacturing declined by 11.1%, of which, manufacture of computer and office equipment rose by 27.5%, manufacture of medical equipment and instrumentation increased by 8.6%, manufacture of medicines dropped by 19.6%, and manufacture of electronic and communication equipment fell by 14.4%.

The added value of advanced manufacturing fell by 0.7%, of which, advanced equipment manufacturing increased by 1.6%, petrochemical industry up 5.3%, advanced textile manufacturing rose by 2.3%, high-end electronic information manufacturing decreased by 6.3%, new materials manufacturing fell by 1.9%, and biomedicine and high-performance medical devices dropped by 16.6%.

The added value of traditional superior industries rose by 0.3%, of which, household electrical appliances manufacturing increase by 8.5%, metal products industry up 1.0%, building materials industry rose by 8.0%, food and beverage industry fell by 6.3%, furniture manufacturing decreased by 2.1%, and textile and clothing industry declined by 10.6%¹⁷.

The above figures reflect a great downward pressure on the economic development of Zhongshan. The city's development is based on manufacturing. However, due to its over-reliance on property investment and insufficient industrial investments, the foundation of the real economy is weakened. Zhongshan aims to reinvigorate the economy with manufacturing as the core focus. Industrial investments in Zhongshan continue to improve this year.

¹⁷ Statistical Communique on National Economy and Social Development of Guangdong Province in 2019, <http://stats.gd.gov.cn/attachment/0/388/388463/2923609.pdf>



Traditional industries

Zhongshan's traditional industries have great advantages. Take the lighting industry as an example, it has a well-developed upstream and downstream industrial chain, with national and even global influence. However, in the digital age, traditional industries are faced with great pressure on optimisation and upgrading and the cultivation of new development momentum.

In August 2018, Zhongshan issued the *Three-year Action Plan on Promoting Technical Renovation of Industrial Enterprises in Guangdong Province (2018-2020)*, which specified a focus on improving and promoting traditional industries such as household appliances, electronic information, hardware, machinery, lighting, clothing, furniture, food, games and entertainment. The report also stipulated accelerating the transformation and upgrading of industries such as cement, glass, chemical, papermaking, stone and non-ferrous metals. By 2022, there is expected to be 80 enterprises with a revenue of RMB 1 billion and four industrial clusters with annual output value of RMB 100 billion.

At the same time, transformation and upgrading of enterprises is promoted and industrial structure is optimised through the pilot and demonstration of intelligent manufacturing, innovative application of industrial internet, technological innovation and renovation projects.

Priority industries

In July 2019, the Zhongshan Municipal Government issued the *Catalogue of Zhongshan's Industries with Priority*¹⁸, which explicitly states that Zhongshan would give priority to three strategic emerging industries, namely, the new generation of information technology, health and pharmaceutical, and high-end equipment manufacturing, including 27 sectors. The city also prepared different action plans for the development of these three industries, with the goals as follows:

Five-year development goals of key industries in Zhongshan (2018-2022)

	The new generation of information technology ¹⁹	High-end equipment manufacturing ²⁰	Health and pharmaceutical ²¹
Key development sectors	The new generation of communication networks, integrated circuits, new display, laser devices, new materials and devices, Internet of Things, 4K TV networks, high-end software	Intelligent manufacturing, optoelectronic, new energy, high-end medical, energy-saving and environment-friendly equipment, marine engineering, special equipment, new energy vehicles and key components, machine tools	Biopharmaceuticals, chemical medicines, modern Chinese medicine, medical equipment, biological health products, genetic testing, characteristic industry of smart health, public service support platforms
Industrial scale	By 2022, the industrial scale of the new generation of information technology industry in Zhongshan will exceed RMB 120 billion.	By 2022, the output value of high-end equipment manufacturing above designated size will reach RMB 150 billion.	By 2022, the gross output value of health and pharmaceutical industry will reach RMB 120 billion.
Enterprise scale	Five backbone enterprises with an annual output value over RMB 10 billion; ten enterprises with an annual output value over RMB 5 billion; 15 enterprises with an annual output value over RMB 1 billion.	By 2022, in high-end equipment manufacturing, there will be five enterprises with revenue from main operations over RMB 10 billion; 15 enterprises over RMB 1 billion; 30 enterprises over RMB 500 million.	Two leading health and pharmaceutical enterprises with annual sales revenue over RMB 10 billion; 4 to 6 well-known enterprises over RMB 5 billion; 15 high-quality enterprises over RMB 1 billion; 3 to 5 enterprises become listed.

The *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* supports Zhongshan in promoting its biomedical technology innovation. After years of development, Zhongshan's health and pharmaceutical industry has improved its upstream and downstream industry chain, covering fields such as biopharmaceuticals, chemical medicine, modern Chinese medicine, medical devices and diagnostic reagents. Zhongshan has established industrial parks such as Zhongshan National Health Technology Industrial Base, Nanlang South China Modern Chinese Medicine City, Biopharmaceutical Science and Technology Park of Cuiheng New District, occupied by many leading medical and pharmaceutical enterprises.

In 2017, Zhongshan Municipal People's Government entered into the *Agreement on the Cooperation Framework for Jointly Establishing National Biotechnology Innovation Zone* with the Government of the Macao Special Administrative Region. Zhongshan and Macao will together establish a national biopharmaceutical science and technology innovation zone that will become a world-class biopharmaceutical research and development cluster, international biopharmaceutical industrial base and first-class high-end medical technology service cluster. The zone will also be a demonstration base for a Guangdong-Macao deep cooperation and innovation and high-level international health exchange and cooperation platform.

¹⁸ Notice of Zhongshan Municipal Development and Reform Bureau on Issuing the Catalogue of Zhongshan's Industries with Priority (2019 Version), http://www.zs.gov.cn/fgj/zcgw/qtwj/content/post_1214325.html

¹⁹ Notice of General Office of Zhongshan Municipal People's Government on Issuing the Action Plan for the Development of the New Generation of Information Technology Industry in Zhongshan (2018-2022), http://www.zs.gov.cn/gkmlpt/content/0/957/post_957704.html#646

²⁰ Notice of Zhongshan Municipal People's Government on Issuing the Action Plan for the Development of High-end Equipment Manufacturing in Zhongshan (2018-2022), http://www.zs.gov.cn/gkmlpt/content/0/957/post_957702.html#646

²¹ Notice of Zhongshan Municipal People's Government on Issuing the Action Plan for the Development of Health and Pharmaceutical Industry in Zhongshan (2018-2022), <https://c.zs.gov.cn/hqzc/detail.action?id=798>

Modern service industries

Zhongshan actively promotes the integrated development of the manufacturing and advanced service industries. It is committed to developing its modern service industries in the west of the GBA. In 2020, key projects mentioned in the *Report on the Work of Zhongshan Municipal Government* include:

- Promoting the development of large cultural tourism projects in Qijiang New City
- Planning and constructing an international convention and exhibition centre in Cuiheng New District

- Vigorously developing sports contest economy and night-time economy which covers economic activities taken place at night across various industries including cultural, entertainment and hospitality industries



PwC's point of view:

- In order to achieve a targeted development of the three major industries with limited resources and financial budgets, Zhongshan can prioritise the development of health and pharmaceutical industry. On the one hand, based on the foundation of health industry, Zhongshan has gradually built a group of health and pharmaceutical industrial clusters covering many fields such as biopharmaceuticals, chemical medicine and medical devices. The city has also established several health and pharmaceutical industrial parks with infrastructures and surrounding supporting facilities. On the other hand, according to the industrial layout of the GBA, Zhongshan, dominated by health and pharmaceuticals, can achieve a differentiated development compared with the other cities.
- In addition, we recommend putting a priority on the development of high-end manufacturing industry by leveraging on the industry foundation advantages shared by Zhongshan. Firstly, the city boasts a solid foundation with respect to traditional manufacturing and rich experience in production and practical operation, which is conducive to the transformation from traditional manufacturing to high-end manufacturing and provides a mature industrial environment for high-end manufacturing enterprises to get settled in Zhongshan. Secondly, Zhongshan enjoys a strong base and great potential for development of high-end manufacturing, as the industry in Zhongshan has developed in scale with constant technical accumulation, a number of leading enterprises with core competitiveness and popularity have set up in Zhongshan, and a group of national and provincial industrial cluster districts have also been initially formed. Lastly, with the progress in construction of the GBA, Zhongshan, by virtue of its geographical and transportation advantages, is able to make extensive use of valuable resources from surrounding cities to promote the development of its high-end manufacturing industry.



IV. Development opportunities

The Outline Development Plan provides direction for Zhongshan's development, elaborated in chapter three, six, eight and ten as:

- To develop the key node cities. To support Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in fully leveraging their strengths, deepen reform and innovation, enhance the composite strengths of the cities, and form key node cities with distinct characteristics, complementary positioning and strong competitiveness. To enhance coordination in development, strengthen interaction and cooperation with core cities, drive the development of nearby towns with distinct characteristics, and jointly raise the development quality of the city cluster.
- To optimise the layout of the manufacturing industry. To leverage the strengths of Hong Kong, Macao, Guangzhou and Shenzhen in innovation and R&D as well as the city's high concentration of headquarter bases for enterprises, together with the advantages of having complete industry chains in Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing, etc., enhance collaboration and connectivity among industries in the GBA, and raise the level of coordinated development.
- To promote the exchange and mutual learning between Chinese and other cultures. To leverage the advantages of the GBA as a place where Chinese and Western cultures have interacted and coexisted for a long time, promote exchanges and cooperation between Chinese and other cultures, innovate new forms of people-to-people exchange, enrich the substance of cultural exchange, and raise the level of cultural exchange. To actively support Zhongshan in unearthing and promoting cultural resources related to Sun Yat-sen.
- To support young people as well as micro, small and medium enterprises from Hong Kong and Macao to realise their development potential on the Mainland. Extend local entrepreneurship subsidies and support to cover eligible entrepreneurs from Hong Kong and Macao, proactively move forward the development of youth entrepreneurship and employment bases for Hong Kong and Macao, such as the Shenzhen-Hong Kong Youth Innovation Entrepreneurship Base, Qianhai Shenzhen-Hong Kong Youth Innovation and Entrepreneur Hub, Nansha Guangdong-Hong Kong-Macao (International) Youth Entrepreneur Hub, Guangdong-Hong Kong-Macao youth innovation and entrepreneurial cooperation platform in Zhongshan etc.
- To step up cooperation in medical and healthcare services. To foster close collaboration in quality medical and healthcare resources, support medical and healthcare service providers from Hong Kong and Macao to set up healthcare facilities through sole proprietorship, joint-venture, cooperation, etc. in the nine PRD municipalities in

accordance with regulations, and develop a regional healthcare cluster as well as regional medical centres. To support Zhongshan to accelerate innovation in biomedical technologies.

- To support the nine PRD municipalities in leveraging their own advantages, jointly develop various types of cooperation zones with Hong Kong and Macao, expand the scope for economic cooperation, and achieve complementarity and mutually beneficial cooperation. To promote in-depth economic, social, cultural etc. cooperation between Macao and Zhongshan and expand the scope of reasonably diversified economic development in Macao.

In order to further implement the Outline Development Plan, the Guangdong Province Leading Group issued the *Three-year Action Plan for Promoting the Construction of the Guangdong-Hong Kong-Macao Greater Bay Area (2018-2020)*²², in which planning for Zhongshan is described as:

- Protecting, inheriting and making good use of cultural resources related to Sun Yat-sen. To support Guangzhou, Foshan and Zhongshan to jointly develop a global culinary capital and accelerate the project of "Cantonese Cuisine Chef".
- Development of its Cuiheng New District. To deepen the cooperation with Hong Kong, Macao, Shenzhen and other cities in bio-medicine, high-end equipment manufacturing, next-generation electronic information, high-end service industry, youth innovation and entrepreneurship, and build up high-level cooperation in the construction of Zhongshan Cuiheng Science City. To drive cultural inheritance and promotion related to Sun Yat-sen and build a cultural exchange platform.

Active implementation of the layout for the GBA cities

In terms of enhancing cooperation with cities in the GBA, the *Report on the Work of the Zhongshan Municipal Government 2020* indicates that efforts should be made to implement the layout for GBA cities and the expansion strategy to the east region and to further clarify the direction of urban development, so as to drive encouraging progress in the construction of the GBA. The tie between Zhongshan and Shenzhen should be reinforced for closer cooperation in the construction of the Shenzhen-Zhongshan Industry Development Corridor. It shall also promote the establishment of Xiangshan University in collaboration with the Macao University of Science and Technology and make active preparation for the establishment of Zhongshan University of Science and Technology under the cooperation of the city and the province.

²² Three-year Action Plan for Promoting the Construction of the Guangdong-Hong Kong-Macao Greater Bay Area (2018-2020), http://www.cnbayarea.org.cn/homepage/news/content/post_170138.html



PwC's point of view:

- Zhongshan, located in the geometric centre of the GBA, is next to Guangzhou and Foshan on the north, to Jiangmen on the west and to Zhuhai on the south, and faces Shenzhen and Hong Kong Special Administrative Region on the east across the Lingdingyang Bay of the Pearl River Estuary. Since reform and opening up began its journey in Shenzhen, the development of the eastern coast of the GBA has long been ahead of the western coast. With the Hong Kong-Zhuhai-Macao Bridge and the Humen Second Bridge in service and the Shenzhen-Zhongshan Bridge to be completed in five years, the whole GBA will become "a world-class triangle bay area". Upon completion, these bridges will work to bring great convenience in transportation between Zhongshan and other GBA cities, and make Zhongshan the "regional integrated transport hub of the Pearl River western coast" among the "five cities and one district along the Pearl River western coast".
- Zhongshan Torch High-tech Industrial Development Zone ("the Torch Zone") is located in the popular area in the coverage of the Shenzhen-Zhongshan Bridge. As a national-level high-tech zone established earlier, the Torch Zone has always been the "leader" in Zhongshan economy, ranking first in Zhongshan in terms of economic growth, and is the third largest High-tech zone in Guangdong Province following Guangzhou High-tech Zone and Shenzhen High-tech Zone. The National Health Technology Park in the Torch Zone in Zhongshan has incubated a number of domestically leading and world-renowned brand projects and brand products with independent intellectual property rights in the field of pharmaceutical chemicals. With further development of the GBA, Zhongshan should seize development opportunities and strive to develop pharmaceutical chemicals industry in the Torch Zone. With respect to industrial innovation, the Torch Zone has an enterprise independent innovation system and develops with the National Torch Program Zhongshan (Linhai) Equipment Manufacturing Base, the National Torch Program Zhongshan Special Industry Base, and other strategic emerging industry bases jointly established by the city and the province; the Torch Zone has established national enterprise engineering laboratories (technology centres and engineering centres), and introduced a series of measures including "Offshore Wind Power Technology Innovation Team". All these progresses regarding independent innovation not only promote the technological research and development of enterprises, but also drive the formation and construction of a number of industrial bases in Zhongshan.
- Zhongshan is characterised with clear industry specialization, with traditional industries demonstrating obvious advantages and emerging industries developing very rapidly.
 - In healthcare industry, infrastructure for industrial development and supporting facilities have begun to take shape, with the innovation system covering the whole process of R&D, pilot testing, transformation of achievements, inspection and testing, financial capital, and incubation acceleration established step by step. On the other hand, greater efforts should be made in the construction of support platform for public health medicine services in Zhongshan by introducing and nurturing competitive pharmaceutical contract outsourcing enterprises with core research and development capabilities. Specifically, various administrative and economic means, such as preferential policies and financial support, should be introduced to promote the evolution of regional pharmaceutical contract outsourcing enterprises to large enterprises, and further increase industry concentration in Zhongshan and perfect the industry chain.
 - For high-end equipment manufacturing industry, Zhongshan has initially built a new energy automobile industry base. Thanks to solid automobile foundation and policy support from Guangdong Province, Zhongshan is at a critical period with opportunity to develop the industry of new energy automobile and related parts and components (especially power batteries). Zhongshan has issued policy documents to promote the development of the high-end equipment manufacturing industry, laying the policy ground for developing industrial robots. The research and development of enterprise robot applications, which requires a lot of demand information and feedback from the front line of industrial production, shall not be conducted behind closed doors. The traditional manufacturing foundation of Zhongshan is solid, and enterprises in Zhongshan have rich experience in production and practice, which is very beneficial to robot research and development enterprises in obtaining accurate market information timely.
- Although Zhongshan has profound cultural background and takes a special position in the minds of Chinese at home and abroad, it still needs to further explore its cultural soft power advantages. Zhongshan should draw on successful experience in the process of city construction, and devote more efforts to the establishment of city brand and to city management. On the one hand, Zhongshan may cooperate with renowned industry associations in China to hold industry forums and summits to build its city brand, so as to expand its popularity in the industry and attract talents. On the other hand, Zhongshan can develop city brand promotion strategy in an integrated manner, improve its city brand, and continuously enhance its reputation.



V. Preferential policies

Preferential policies for high-tech enterprises

Under the Several Policies and Measures for Promoting Scientific and Technological Innovation and High-quality Development²³ issued in September 2019, the policies and measures for high-tech enterprises are as follows:

A one-time subsidy of RMB 1 million will be granted to each high-tech enterprise newly settled in Zhongshan recording operating income of more than RMB 20 million. A one-time subsidy of RMB 100,000 will be granted to each identified high-tech enterprise recording operating income no less than RMB 20 million and 50,000 to each identified high-tech enterprise recording operating income of less than RMB 20 million. In addition, Zhongshan also supports enterprises to increase their R&D investment. For an enterprise whose R&D expenses in the previous year account for at least 2% of its operating income in the same period and for which the additional deduction for R&D expenses is more than RMB 1 million (inclusive), subsidies will be granted at no more than 3% of the additional deduction for R&D expenses before tax in the previous year determined by the tax authority. For a city-level innovation benchmarking enterprise, subsidies will be given at no more than 6% of the additional deduction for R&D expenses before tax in the previous year determined by the tax authority. Subsidies for R&D expenses to an enterprise in one year shall not exceed RMB 10 million.

Support for major science and technology projects

In order to solve key technical problems in industrial development, Zhongshan released the *Notice on Issuing the Measures for the Use of Special Funds for Major Science and Technology Projects in Zhongshan City*²⁴ in December 2019. The notice, aims to further accelerate the transformation of scientific and technological achievements, enhance independent innovation capacity and industrial competitiveness, and promote industrial transformation and upgrading.

According to the notice, an eligible project shall be granted a subsidy of no more than RMB 10 million. For sub-projects supporting major national or provincial science and technology projects, fiscal subsidies will be issued at amount of no more than the funds invested by the project undertakers. For technical research projects in strategic emerging industries, traditional industry transformation and upgrading projects, innovation and entrepreneurship cultivation projects and projects relating to the introduction of key enterprise R&D institutions, subsidies will be allocated in instalments after the approval and initiation of the projects.

Encouraging the development of headquarters economy

In order to speed up the formation of the scale effect of a headquarters economy, the People's Government of Zhongshan Municipality issued the *Several Opinions of the People's Government of Zhongshan Municipality on Further Encouraging the Development of Headquarters*

*Economy*²⁵ in December 2019. The specific measures include:

- An enterprise who meets the requirements for direct identification and is identified as a headquarter enterprise for the first time shall be granted a one-time reward of RMB 2 million in the year of the identification, and shall be awarded in the following year at no more than 50% of the local contribution it made in the previous year, with the total amount of rewards not exceeding RMB 100 million. An enterprise who meets other identification requirements and is identified as a headquarter enterprise for the first time shall be rewarded at no more than 50% of the local contribution it made in the previous year, with the amount of rewards not exceeding RMB 100 million.
- For a headquarter enterprise whose financial contribution in the previous year is less than RMB 500 million, and which is newly introduced, established or registered and operated in the city, reward shall be granted according to the growth rate of its local contribution (the ratio between the second and first year, ratio between the third year and the average of the previous two years, and the ratio between the following year and the average of the previous three years). In case of growth rate below 20%, reward shall be granted at 50% of the increment; in case of growth rate between 20% (inclusive) and 40%, reward shall be granted at 60% of the increment; in case of growth rate between 40% (inclusive) and 60%, reward shall be granted at 70% of the increment; in case of growth rate over 60% (inclusive), reward shall be granted at 80% of the increment.
- For a headquarter enterprise whose financial contribution of the previous year is more than RMB 500 million (inclusive), and which is newly introduced, established or registered and operated in the city, reward shall be granted at 80% of increment in its local contribution to the city (comparison between the second year and the first year, comparison between the third year and the average of the previous two years, and comparison between the following year and the average of the previous three years).

Preferential policies on individual income tax

In order to implement the subsidy policies on individual income tax for talents in the GBA, Zhongshan released the *Interim Measures of Zhongshan on Fiscal Subsidies for the Implementation of Preferential Policies on Individual Income Tax in the Guangdong-Hong Kong-Macao Greater Bay Area*²⁶ in August 2019. The Interim Measures stipulates that, financial subsidy will be given to high-end overseas talents and talents in short supply working in Zhongshan, equivalent to their personal income tax amount paid in excess of 15% of their taxable income. The subsidy is exempted from personal income tax.

²³ Notice of the People's Government of Zhongshan Municipality on Issuing Several Policies and Measures for Promoting Scientific and Technological Innovation and High-quality Development, http://kj.zs.gov.cn/xwfl/wgk/jcgk/content/post_1579800.html

²⁴ Notice on Issuing the Measures for the Use of Special Funds for Major Science and Technology Projects in Zhongshan City, http://kj.zs.gov.cn/xwfl/zdlyxx/kjghxmfjxxgk/kjjhgl/gldz/content/post_1669334.html

²⁵ Several Opinions of the People's Government of Zhongshan Municipality on Further Encouraging the Development of Headquarters Economy, http://www.zs.gov.cn/zwgk/fggw/bsgfwj/content/post_1616489.html

²⁶ Notice on the Issuance of the 'Interim Measures of Zhongshan on Fiscal Subsidies for the Implementation of Preferential Policies on Individual Income Tax in the Guangdong-Hong Kong-Macao Greater Bay Area', <http://czj.zs.gov.cn/Download/Accessory/190820103527.pdf>

Preferential policies regarding innovation and entrepreneurship for youths from Hong Kong and Macao

The People's Government of Zhongshan Municipality issued the Work Program for Strengthening the Construction of Innovation and Entrepreneurship Bases for Youths from Hong Kong and Macao²⁷ on 6 June 2019. The specific measures include:

- Provide youths from Hong Kong and Macao who start up a business in Zhongshan with subsidies granted for entrepreneurship, employment and rent; introduce preferential policies such as the Hong Kong and Macao Science and Technology Innovation Fund and the Youth Development Fund; set up the "One-stop service window for young talents from Hong Kong and Macao" to provide professional services for young talents from the special administrative regions.
- Implement various preferential policies to encourage the development of venture capital, and establish and improve the angel investment risk compensation system; implement the policy of guaranteed loans and discount interest for business start-ups, and provide loans and discount interest support for eligible young people from Hong Kong and Macao to start businesses in the base. To provide housing to eligible youths from Hong Kong and Macao; encourage qualified towns to provide rental subsidies and support youths from Hong Kong and Macao to purchase commercial housing in Zhongshan.
- Lower the threshold for investment by certain Hong Kong and Macao enterprises, realise the reform of "separation of operating permits from business licenses", promote the application of electronic business licenses, introduce tax facilitation measures, and shorten the time for setting up a business; strengthen the establishment of 12355 Hotline for Youths from Hong Kong and Macao, provide them with employment guidance, exit and entry services and other advisory services.
- Facilitate the transportation of young entrepreneurs from Hong Kong and Macao, support the opening of rapid transportation channels connecting the innovation and entrepreneurship bases at Zhuhai-Macao port and Zhongshan Port; organise regular Guangdong-Hong Kong-Macao youth exchange activities and innovation competitions.

Pension and medical insurance policy for Hong Kong, Macao and overseas talents

Guangdong's basic pension insurance deferred policy for Hong Kong and Macao talents is adopted, whereby Hong Kong and Macao employees who work in Zhongshan for non-government affiliated institutions, and have reached the legal retirement age and paid less than 15 years of contributions can choose to defer the payment of their pension insurance. If the payment is postponed until the age of 85 for men and 60 for women and their term of contributions is still less than 15 years, a one-off payment will be allowed²⁸.

Employers are encouraged to establish a multi-level insurance system for foreign talents, such as commercial supplementary pension and medical insurance. For high-end foreign talents and foreign talents who work in the city but do not enjoy any social insurance benefits, or have reached the legal retirement age and have paid less than 15 years of contribution in total, employers are allowed to use financial funds to cover the purchase of the commercial pension and medical insurance for them during their duration of employment.

Twenty measures to facilitate business stability

Zhongshan identified 2020 as "a year for business stability" and to improve its government service and business environment benchmarking against Foshan and Dongguan. With the breakout of COVID-19, the People's Government of Zhongshan Municipality released the *Several Measures in Response to COVID-19 Epidemic to Facilitate Business Stability*²⁹. The 20 specific measures include reducing the burden on enterprises, providing greater support, optimising services and strengthening protection. These measures cover rent, taxation, social security, financing, etc., and aim to minimise the impact of the pandemic on the economy.



PwC's point of view:

- Talents are crucial to innovation and economic development. Therefore, we recommend providing greater support for youth innovation and entrepreneurship, formulate more attractive talent policies, improve security measures for high-level talents in terms of housing, social security, children's schooling, etc., so as to attract domestic and foreign high-end talents (including high-level R&D talents) to build a talent hub.
- Zhongshan should actively build collaborative innovation platforms to attract more innovative enterprises to establish businesses in the city, encourage universities and research institutions to set up research and innovation platforms, establish more venture capital investment guiding funds and angel guiding funds to help scientific and technological enterprises solve financing problems and effectively gather innovation resources.
- External demand may remain weak for some time due to the China-US trade tensions and COVID-19. Micro, small and medium-sized enterprises should make good use of various central and local tax and fee reduction policies. On the one hand, such enterprises should actively take advantage of the domestic market; on the other hand, they should also actively defend their hard-won advantageous position in the international industrial chain, develop new growth points in foreign trade, explore emerging markets and actively participate in the construction of the Belt and Road initiative.

²⁷ The Notice of the People's Government of Zhongshan Municipality on issuing the 'Work Program for Strengthening the Construction of Innovation and Entrepreneurship Bases for Youths from Hong Kong and Macao' (Zhong Fu Han [2019] No. 239), <https://www.bayarea.gov.hk/sc/resource/mainland-policies-measures-20190606.html>

²⁸ Several Policies and Measures for Promoting Scientific and Technological Innovation and High-quality Development, http://kj.zs.gov.cn/xwfl/wgk/jcgk/content/post_1579800.html

²⁹ Notice of the People's Government of Zhongshan Municipality on Issuing the 'Several Measures in Response to COVID-19 Epidemic to Facilitate Business Stability', http://www.zs.gov.cn/gkmlpt/content/1/1688/post_1688504.html#646



Conclusion

Since the construction of the GBA city cluster has been officially included in the national development strategy, Zhongshan, based on the advantages its traditional industries offer, has made use of the existing characteristic industrial clusters to vigorously develop its emerging industries and promote industrial upgrading and transformation. Although the development along the east coast of the GBA has long been ahead of the west coast for historical reasons, the opening of the Hong Kong-Zhuhai-Macao Bridge and the Humen Second Bridge have resulted in a traffic circle covering the east and west coast of the GBA and Hong Kong and Macao. The opening of the Shenzhen-Zhongshan Bridge in the future will position Zhongshan at the core of the traffic circle scope.

Zhongshan is a renowned town with a long history of culture. In addition, it is a city of hope and vitality. As a traditional production base with obvious benefits, Zhongshan develops quickly in new industries including health, advanced equipment manufacturing and next-generation information technology. If its industrial chain is appropriately configured to suit its geographical and transportation advantages, and it make the most of the GBA's strengths, Zhongshan will unlock the greatest potential for development among all the GBA cities.

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