



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:

Zhuhai



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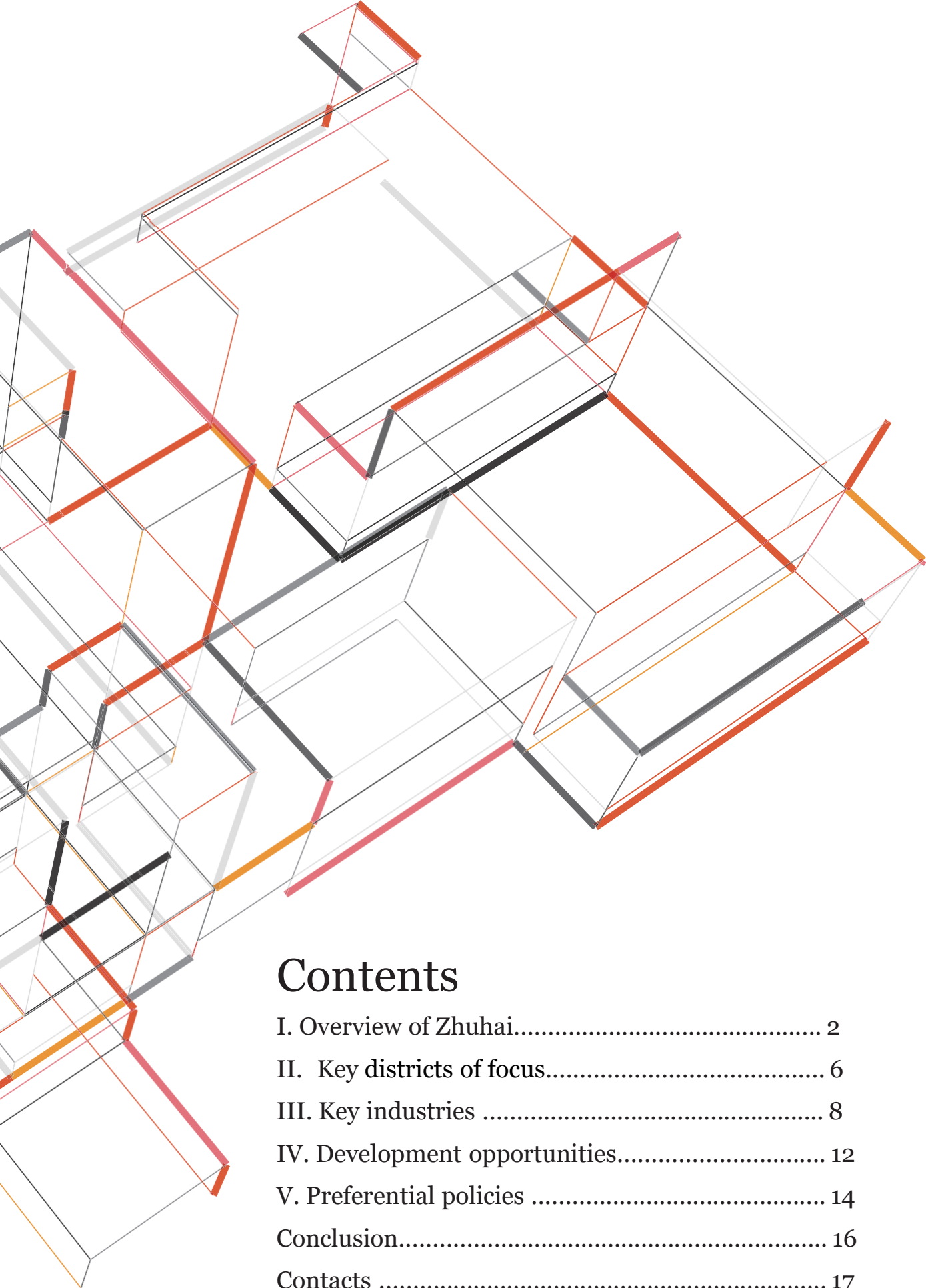


Foreword

In February 2019, the Central Committee of the Communist Party of China and the State Council officially issued the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*, which comprehensively planned the strategic positioning, development goals and spatial layout of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). This plan is a major measure to foster a new wave of developments in the new era, and is also an important manifestation of China's vision of economic growth and social progress.

Which cities in Guangdong-Hong Kong-Macao GBA have greater investment opportunities and will become a new engine for regional economic development? What are the preferential policies on finance and taxation that will attract investment from domestic and overseas companies? The *Zhuhai* report is the first of PwC's reports on cities in the Guangdong-Hong Kong-Macao GBA. The Hong Kong-Zhuhai-Macao Bridge is open to traffic and the outline plan for developing a world-class urban cluster in the GBA has been launched. Zhuhai, as a core city in the west bank of Pearl River and the sub-centre of Guangdong province, will embrace a new round of strategic opportunities for development.

We will also focus on other cities in the GBA, and will launch city reports of *Dongguan*, *Foshan* and *Zhongshan* in the near future. PwC has been paying attention to the implementation and advancement of the GBA with great enthusiasm, and will continue to contribute to the promotion of this key development strategy.



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I. Overview of Zhuhai

Located at the south end of the Pearl River Delta, Zhuhai is one of the five Special Economic Zones in China, the core city of the west bank of the Pearl River and the sub-centre of Guangdong province. Zhuhai enjoys a unique geographical position with Hong Kong across the sea in the east and Macao connected by land in the south. After the opening of the Hong Kong-Zhuhai-Macao Bridge in October 2018, Zhuhai has become the only city in the Mainland that is connected to both Hong Kong and Macao by land, which further highlights its strategic position.



Zhuhai enjoys convenient transportation with an intercity railway, expressway and shipping channels seamlessly connecting Hong Kong, Macau, Guangzhou and Shenzhen as well as other urban areas and airports and providing convenient and comfortable transportation for international and domestic tourists arriving in Zhuhai. The commuting time has also been greatly shortened, forming a multi-transportation system of “urban track + intercity track + expressway”.

- The Hong Kong-Zhuhai-Macao Bridge was officially open to traffic in October 2018, and Zhuhai, Hong Kong and Macao entered the “one-hour living circle”;
- The first phase of Guangzhou-Zhuhai Intercity Railway Project (Gongbei to Hengqin) is expected to be open to traffic on 20 November 2019. The second phase will be from Hengqin to Zhuhai Airport. After completion, the journey time to Zhuhai Airport will only take half an hour;
- The “water bus” from Jiuzhou Port of Zhuhai to Shenzhen airport pier officially opened in April 2019. Passengers can arrive at Shenzhen airport port from Jiuzhou Port in around 65 minutes;
- Zhuhai will improve its urban transportation network, start the preliminary work of Jingang Bridge, and accelerate the construction of Jinhai Bridge and Xianghai Bridge; the government also strives to incorporate the subway into the national and Guangdong related plans;
- The Zhuhai government will advance the construction of Honghe Bridge and Hegang Expressway, and construct the fast lane directly connecting Hong Kong-Zhuhai-Macao Bridge to the expressway of the western region of Guangdong. Meanwhile, it will accelerate the construction of Xingye Expressway and the Jinqin Expressway to effectively connect the Shenzhen-Zhongshan Corridor;
- Zhuhai High Speed Rail is planned to connect 52 cities, and the direct routes to the following cities have opened: Beijing, Shanghai, Shenzhen, Zhengzhou, Kunming, Nanning, Changsha, Wuhan and Guilin.

The coastal line of Zhuhai is rich in resources and ranks first in the nine cities of the Pearl River Delta. Among the cities in the Pearl River Delta, Zhuhai boasts the largest ocean and island area, the largest number of islands, and ample port coastline and marine resources, providing good conditions for the development of port industry and port logistics. As an important port city in China, Zhuhai has eight national first-class ports, including three land ports in Gongbei, Hengqin and Zhuhai-Macao Cross-Border Industrial Zone, and five waterway ports including Jiuzhou Port, Wan Chai Ferry Pier, Zhuhai Port, Doumen Port and Wanshan Port. It is the second largest port city in China after Shenzhen. As the “bridgehead” to accelerate the construction of the Guangdong-Hong Kong-Macao GBA, Zhuhai is bound to benefit from the new round of development in the GBA.

Ever since it was established as a special zone in 1980, Zhuhai, in adherence to the development concept of “ecology first”, has achieved great results and successfully built a “great destination for settlement and travel”. According to the city survey report titled “Chinese Cities of Opportunity 2019” jointly released by PwC and China Development Research Foundation, Zhuhai continued to rank first among the 38 cities in China in the field of “Transportation and urban planning”. Meanwhile, Zhuhai ranked first in “Green area”, second in “Standard of living”, “Public transit system” and “Available housing for residents”, third in “Nominal growth rate of gross regional domestic product”, fourth in “Turnover rate of full-time teachers of middle and primary schools”, sixth in “Average life expectancy” and “State of floating urban population”, and ninth in “Coverage rate of public pensions”. It can be seen that Zhuhai has advantages in terms of quality of life, housing, education, elderly care, greening, and public transportation. This has attracted a large number of people and promoted rapid economic development.

Zhuhai economic index (2016-2018)

Year	Permanent residents (Ten thousand)	GDP (RMB 100 million)	Per capita GDP (RMB)
2016	167.53	2,267	137,005
2017	176.54	2,675	155,502
2018	189.11	2,915	159,400

Source : CEIC, National Bureau of Statistics, PwC

Zhuhai has a small population and takes up a small area, so its economic scale is relatively small in the “9+2” cities. According to data from Statistics Bureau of Zhuhai, the city's GDP in 2018 reached RMB 291.5 billion, an increase of 8.0% year-on-year. The growth rate ranked first in Guangdong province, 1.4 and 1.2 percentage points higher than the national GDP and Guangdong province GDP respectively. In 2018, Zhuhai's per capita GDP was only second to Shenzhen among the nine cities of the Pearl River Delta in the GBA, which means that Zhuhai's economic development level is relatively high in the GBA.

The population of Zhuhai is only more than that of Macao within the GBA. In 2018, the total permanent resident population of Zhuhai reached 1,891,100. Out of this, the newly-added permanent resident population was 125,700, which was the highest in the 40 years since the establishment of the city.

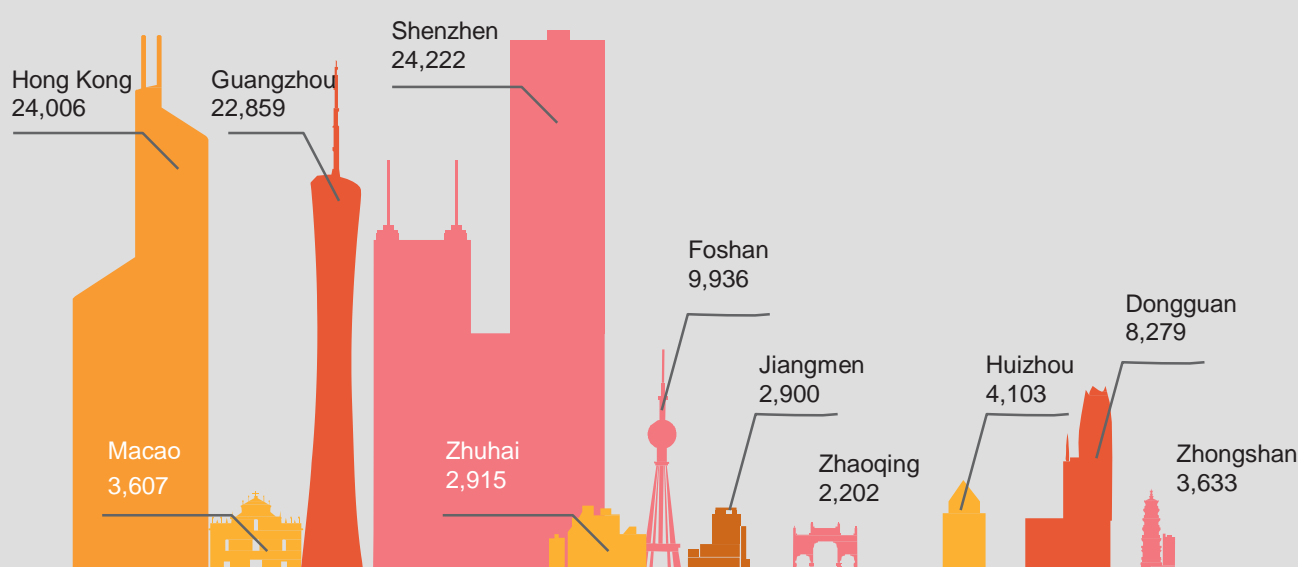
The rapidly-growing permanent resident population reflects the city's charm with the advantages of abundant housing, a vibrant economy and sufficient employment opportunities.

According to the *Guangdong Provincial Population Development Plan (2017-2030)* promulgated by the People's Government of Guangdong province, Zhuhai is listed as a large city with a projected population of up to 5 million by 2030.

According to the *Conceptual Spatial Development Planning of Zhuhai* promulgated by Zhuhai Municipal Housing and Urban-Rural Planning and Construction Bureau, the total construction land of Zhuhai is 698 square kilometres, which can accommodate a total population of 6.5 million.

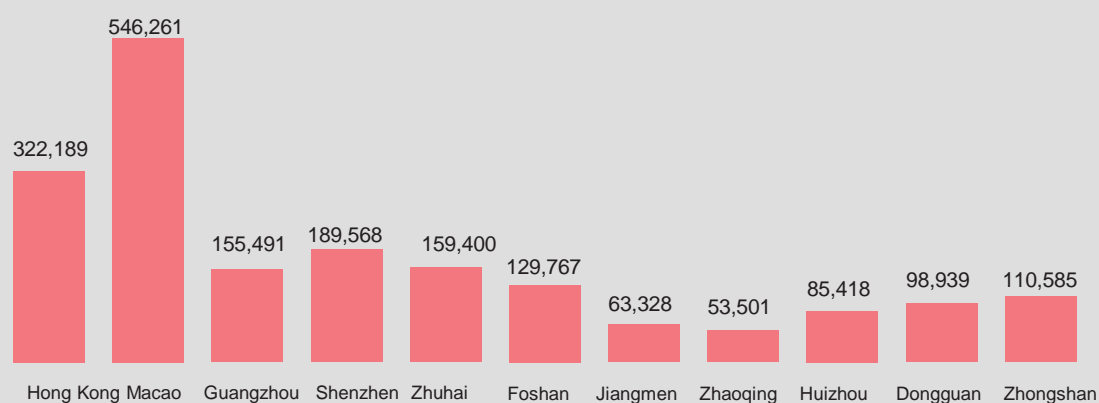
Based on the goal of 5 million people by 2030, Zhuhai will reap an economic dividend of an increase of more than 3 million inhabitants in the next ten years. In other words, the population of Zhuhai will increase by 300,000 annually, compared to more than 100,000 in 2018. The greatly enhanced growth rate will stimulate local economic development in many aspects, which is not only a huge development opportunity, but will also bring challenges to urban development.

GDP of Greater Bay Area in 2018 (RMB 100 million)



Source : CEIC, National Bureau of Statistics, PwC

Per capita GDP of Greater Bay Area in 2018 (RMB)



Source : CEIC, National Bureau of Statistics, PwC



PwC's point of view:

- In the next decade, Zhuhai is expected to experience a period of rapid growth in population, which will stimulate its economic development. However, it will also bring many challenges to the urban development. The city should coordinate its urban development with high standards, further optimise the business environment and create more employment and development opportunities;
- The construction of Zhuhai's transportation infrastructure has been accelerated. Its role as a transportation hub to drive the western region of Guangdong and connecting Hong Kong and Macao has been further highlighted. The infrastructure will create an efficient, low-carbon and intelligent transportation system that is compatible with a livable city.
- In adherence to the development concept of “ecology”, Zhuhai has gained the economic “dividend” of its improved ecology thus laying a foundation for high-quality development. Continued consolidation and enhancement of their ecological advantage is an important part of the development of the GBA.

II. Key districts of focus

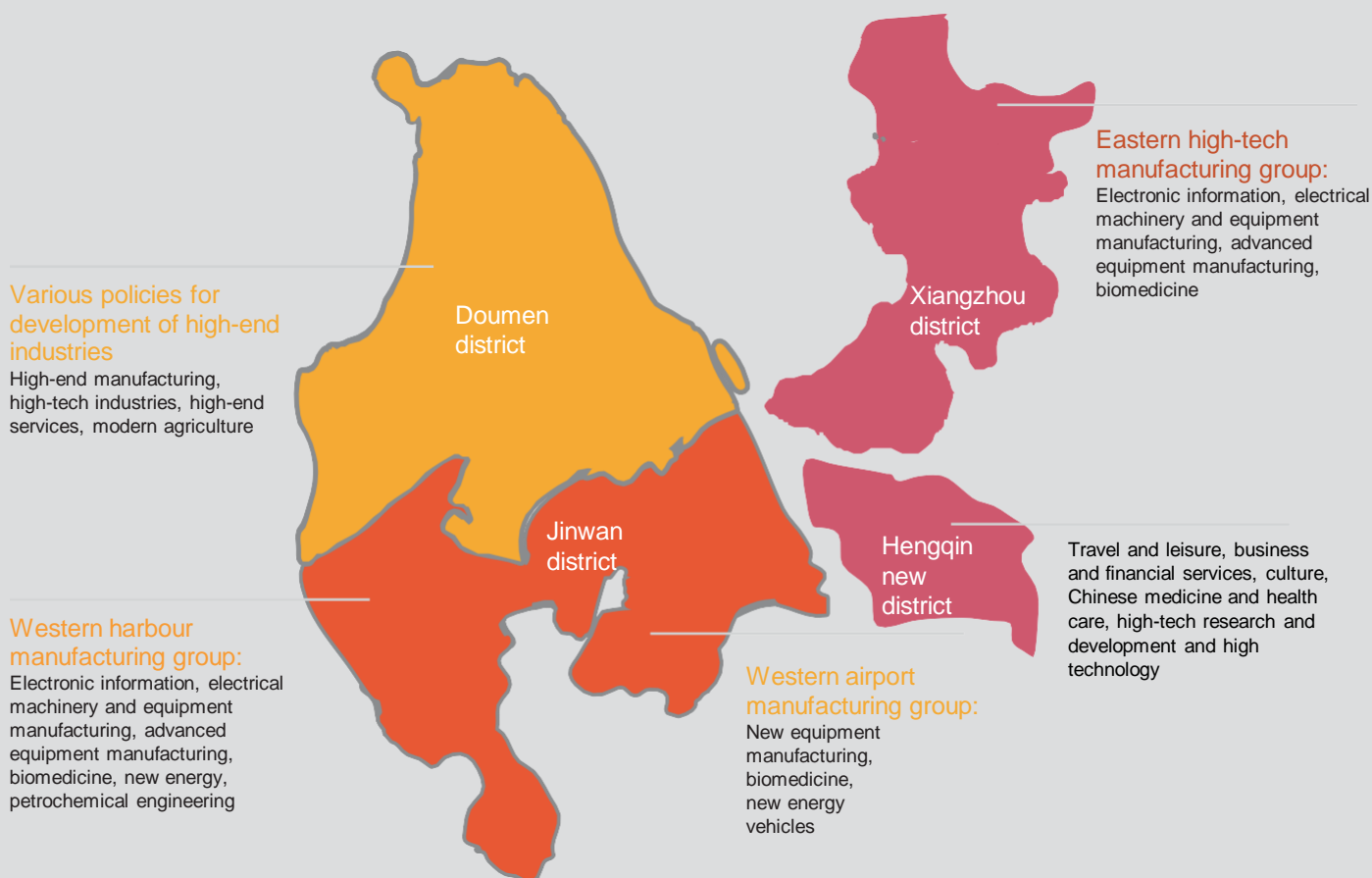
The area of Zhuhai is 1,736.46 square kilometres, slightly larger than that of Hong Kong. The city has three administrative districts, namely Xiangzhou, Doumen and Jinwan, and five economic functional zones, namely Hengqin, High-tech Zone, Free-trade Zone, Gaolan and Wanshan. The GDP growth of each district has had good momentum. Among them, Hengqin is within the free trade zone. In 2018, the growth rate of Hengqin was 12.9%, and the regional GDP reached RMB 24.41 billion, propelling the city's economic growth. In addition, both Gaolan and Wanshan's GDP in 2018 achieved double-digit growth.

Zhuhai has introduced a series of policies in promoting industrial investment, technical transformation, equipment manufacturing and intelligent manufacturing. In 2018, it invested RMB 10.97 billion to improve the economic functional zone infrastructure. After the official opening of the Hong Kong-Zhuhai-Macao Bridge and the ports, regional cooperation has been further promoted. Zhuhai cooperates with Hong Kong and Macao to participate in international projects, has jointly built an important support zone for the "Belt and Road", and built the China-Latin America and the Caribbean Economic and Trade Cooperation Park, China-Israel Science and Technology Innovation Industrial Park, and China-German Artificial Intelligence Institute so as to actively integrate into the global economic and trade innovation network. The construction of the Guangdong, Hong Kong and Macao cooperation demonstration zone in Hengqin has also been accelerated. According to the *Industrial Layout Planning of Zhuhai Industrial Park (2016-2025)*, Zhuhai is committed to becoming a regional industrial service centre, a world-class marine engineering equipment manufacturing base, an international advanced general aviation industry base, marine engineering equipment manufacturing base, an international advanced general aviation industry base, a global leading household appliance base and an international business and leisure tourist resort, which is also consistent with the development direction and positioning mentioned in *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*.

Based on the above planning, Zhuhai's manufacturing and service industries will form a spatial structure of "one core and four groups" in the future.

- The service industry includes: (1) Core: Hezhou central business district. (2) Modern comprehensive service groups, including Hengqin New Area, Xiangzhou district, and Guangdong Zhuhai Free Trade Zone - Zhuhai Cross-border Industrial Zone, which develops pharmaceutical R&D, bonded processing, logistics and business services.
- Manufacturing includes: (1) Eastern high-tech manufacturing group: focussing on electronic information, advanced equipment manufacturing (smart grid, environmental protection equipment, robots), and biomedicine. (2) Western airport manufacturing group: focussing on aviation equipment, biomedicine, and new energy vehicles. (3) Western harbour manufacturing group: focussing on advanced equipment manufacturing (marine equipment, shipbuilding, harbour machinery, engineering machinery, rail equipment), clean energy, petrochemical engineering, electronic information, and biomedicine.
- In 2018, Zhuhai was approved to establish one of the first five artificial intelligence industrial parks in Guangdong province. Zhuhai Smart Industrial Park was located in the High-tech Zone accordingly. According to *Information Industry Development Planning of Zhuhai (2017-2021)*, Zhuhai will eventually form a new information industry layout with the High-tech Zone as its core, Xiangzhou district, Doumen district and Gaolan Port district as its base, and Jinwan district and Hengqin New Zone as its two wings. In addition, modern agriculture is also an important focus for the development of Zhuhai. The construction of Hong Kong-Zhuhai-Macao Modern Agriculture Demonstration Park was officially launched in Hezhou North, Doumen district in July this year. After the park is built, it will provide Hong Kong and Macao with stable supply of fresh and high-quality agricultural products, which is of great significance for promoting the integration and development of Zhuhai, Hong Kong and Macao. In addition, Doumen will also launch various policies to promote the development of high-end industries, so as to expand the high-end manufacturing industry, strengthen the high-tech industry and high-end services, and improve modern agriculture.

Industrial layout of Zhuhai



Source : Industry and Information Bureau of Zhuhai, PwC



PwC's point of view:

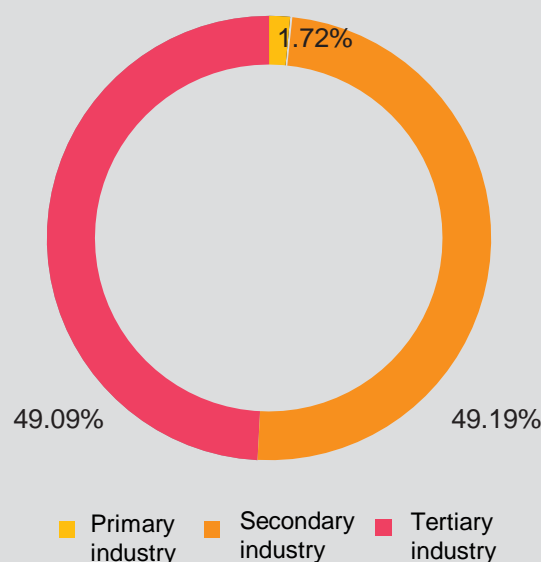
- It is important for Zhuhai to further study the differences and similarities of its industrial structure with that of other cities in the GBA, enhance collaborative development, and create a new round of growth in industrial upgrading;
- To continuously improve infrastructure facilities, build an industrial chain that integrates both upstream and downstream industries, create a robust industrial development environment, and improve land use efficiency and labor productivity;
- To strengthen innovation in intellectual property, and talent incentives continuously enhance competitive advantages, and encourage scientific research institutions and enterprises to set up technology business incubators in the Zhuhai economic zones.

III. Key industries

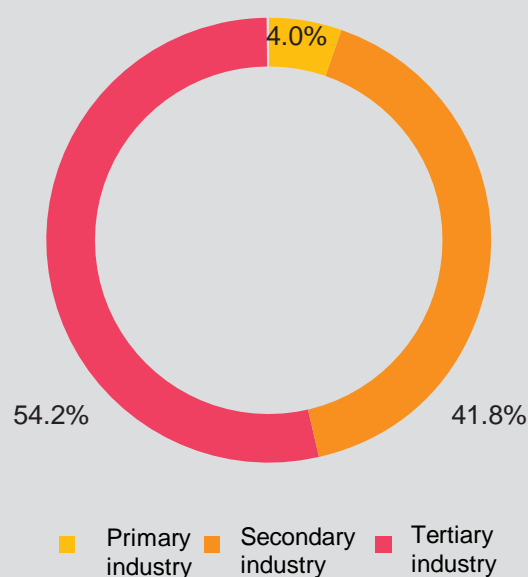
In 2018, Zhuhai experienced momentum in real economy development with industry contributing 76% to its economic growth. In the medium to long term, manufacturing will still be the focus of development for the revitalisation of the real economy of Zhuhai. The *Outline Development Plan* also stresses the strategy “to raise the development level of designated areas to showcase new industrialisation at the national level, develop an industrial belt for advanced equipment manufacturing on the west bank of the Pearl River spearheaded by Zhuhai and Foshan.” Aside from this, the potential of the service industry in Zhuhai should be utilised.

The proportions of the top three industries in Zhuhai, i.e. the primary industry, the secondary industry and the tertiary industry, were 1.72%, 49.19%, 49.09%, while those of the top three industries in Guangdong province over the same period were 4.0%, 41.8%, and 54.2%. The proportion of the tertiary industry in Zhuhai was a little bit lower than those of other relatively developed coastal cities. Except for Hong Kong, Macao, Guangzhou and Shenzhen, cities at the Pearl River Delta, where the manufacturing industry is well developed, have one thing in common, which is, the proportion of the secondary industry is relatively high. In both Hong Kong and Macao, the proportions of the tertiary industry are over 90%, and there is hardly a primary industry in these two cities. Among the nine cities at the Pearl River Delta, Guangzhou boasts the highest tertiary industry proportion, followed by Shenzhen and Dongguan.

Industrial distribution of Zhuhai in 2018



Industrial distribution of Guangdong province in 2018



Source: CEIC, National Bureau of Statistics, PwC

Industries

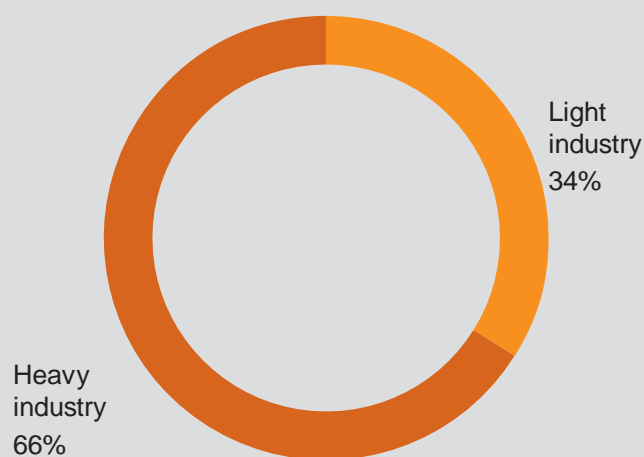
From data collected by Statistics Bureau of Zhuhai, the industrial added value above designated size of Zhuhai in 2018 amounted to RMB 108.4 billion, up by 14.1% year on year, the highest growth rate in Guangdong province. Among them, the industrial added value above designated size of state-owned and state-controlled enterprises grew by 25.2%, that of private enterprises by 14.6%, and that of Hong Kong, Macao and Taiwan enterprises and foreign-invested enterprises by 6.4%.

The total industrial added value of the 6 pillar industrial sectors in 2018 totalled RMB 74.4 billion, up by 13.1% year on year, where the year-on-year growth was 7.2%, 23.5%, 24.8%, 7.0%, 8.9% and 8.9% respectively in electronic information, biomedicine, electrical appliances, electrical energy, petrochemical engineering and precision machinery manufacturing.

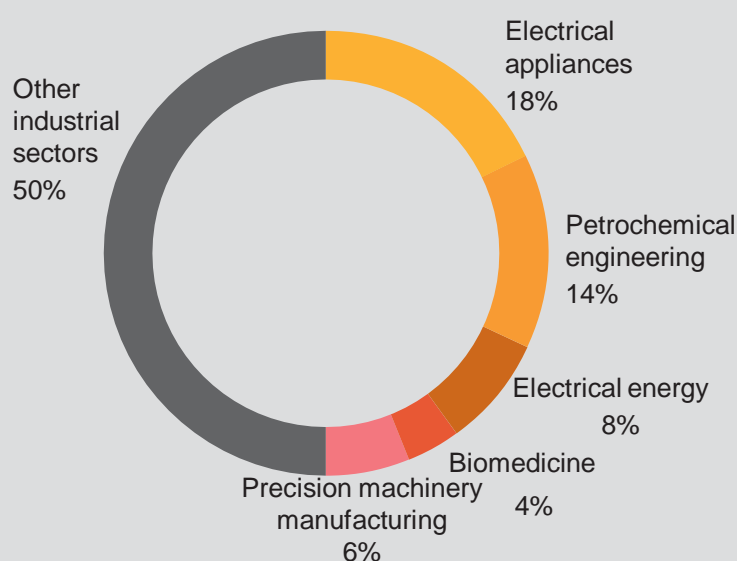
The government plans to develop strategic emerging industries, accelerate the development of new generation of information technology, high-end equipment manufacturing, biomedicine, new energy and new energy vehicles, energy conservation and environmental protection, new materials and other sectors, and cultivate a number of "unicorn" and "gazelle" companies in Zhuhai.

Against the backdrop of a complex economic environment, coupled with sluggish growth in the domestic and overseas market, the industry may slow its pace of growth. The secondary industry has experienced significant changes in the external environment and it is estimated that rapid growth will not be easy for multiple industrial sectors in the future. Biomedicine, among all the manufacturing sectors in Zhuhai, shows the greatest potential.

Gross industrial output value above designated size of Zhuhai in 2018



Gross industrial output value of six key industries in Zhuhai in 2018



Source : Statistics Bureau of Zhuhai, PwC

Leisure and tourism

The opening of the Hong Kong-Zhuhai-Macao Bridge has brought significant opportunities to Zhuhai's service industry great way for Zhuhai to embrace such opportunities is to develop a quality service industry like Hong Kong and Macao and promote the development of tourism, trade, exhibition and other sectors. With the constant acceleration of economic transformation and consumption, the service industry, especially tourism, will become a new engine for the future economic development of Zhuhai.

In the future, Zhuhai will need to provide more jobs for another 200,000 people migrating to the city. These jobs could be found in the service industry if it is well developed. This will be possible under the planning of the Great Bay Area, i.e. "to complement Macao's development into a world tourism and leisure centre, develop Hengqin in Zhuhai into a high-standard international leisure and tourism island". As a "great destination for settlement and travel", Zhuhai should take this advantage to establish its brand as a tourist city.

According to the *Master Plan for the Development of Tourism in Zhuhai (2016-2030)*, efforts will be made to build Zhuhai as "an international leisure and tourism destination along with Hong Kong and Macao" based on the four strategies of all-around development, internationalisation, industrial integration and integrated construction. The city is expected to accommodate 50 million, 75 million, and 90 million tourists in 2020, 2025 and 2030 respectively with the revenue from tourism amounting to RMB 45 billion, RMB 80 billion and RMB 110 billion respectively. In 2018, visits paid by domestic and foreign tourists to Zhuhai reached 43,120,000, quite close to the target set for 2020, i.e. 50 million. The total revenue from tourism in 2018 has already exceeded the target set for 2020, i.e. RMB 45 billion. The targets set for 2025 and 2030 will further be realised step by step.

Relying on its rich environmental resources, Zhuhai could promote the development of its tourism, cooperate with Macao in tourism projects, and enhance the influence of its brand. According to the *Master Plan for the Development of Tourism in Zhuhai (2016-2030)*, the focus could be placed on the four types of tourism products:

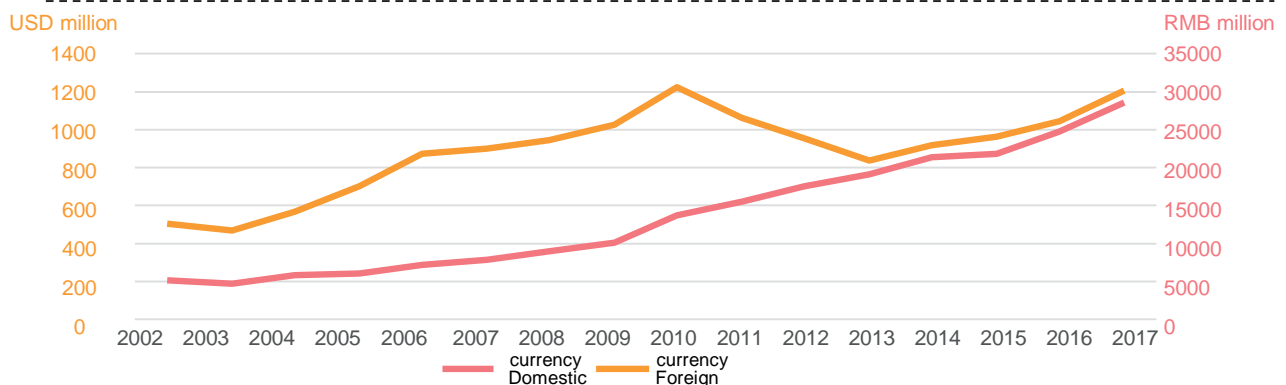
(1) Island tourism: Zhuhai is home to 262 islands, which means it owns rich resources to develop tourism products such as island vacations, marine science popularisation, cruises and yacht trips, marine entertainment and sports, marine festivals and events, and seafood;

(2) Theme parks: Zhuhai could cooperate with Hong Kong to build the largest group of international theme parks in the eastern hemisphere, actively promote the construction of Chimelong International Marine Resort in Hengqin, build Avic World in Jinwan district, and further introduce one or two of the top ten theme park operators to Doumen district;

(3) Festivals and events: festival celebration activities and events (such as aviation exhibition, China International Circus Festival, WTA Elite Trophy Zhuhai, etc.) could be held here to attract tourists, participants, as well as professional organisations and sponsors, which could be the highlights of Zhuhai tourism;

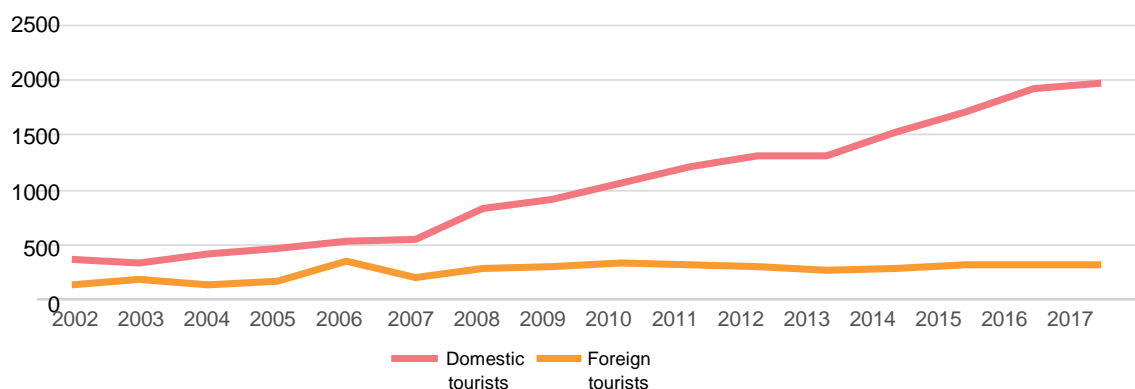
(4) Commercial exhibitions: to establish the city's brand featuring high-end commerciale exhibitions and tourism, Zhuhai has built the first phase of Zhuhai International Convention & Exhibition centre, airshow venues, large exhibition venues in Hengqin, Lingding seashore on Dong Ao island, Ocean Spring Resort, and will push forward the construction of the second phase of the exhibition centre to fully utilise the venue.

Revenue from tourism of Zhuhai from 2002 to 2017



Headcount of tourists to Zhuhai from 2002 to 2017

Ten thousand



Source : CEIC, National Bureau of Statistics, PwC

Healthcare

In recent years, Zhuhai has made great efforts to develop its medical health sector and has the ambition to build international hospitals integrating "medical care + education + health care" and high-end comprehensive medical and health care centres catering to the needs of people in the Guangdong-Hong Kong-Macao GBA. Key projects include Zhuhai Western Medical Centre (one of the ten projects for the improvement of people's livelihood, a third-class hospital located in Doumen district, constructed in two phases with 1000 beds provided in the first phase and 1500 beds in the future); Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao (established in Hengqin New Area, Zhuhai in 2011, committed to integrating traditional Chinese medicine resources, educational resources, scientific research capabilities and talents of Macao, and tourism resources to establish itself as "an international base for quality control of traditional Chinese medicine" and "an international communication platform for the health industry"); Zhuhai Youai International Hospital (in Jinwan district) and Health Care Centre (at Tangjia Bay); hospitals featuring green ecology at Hengqin, etc. All these projects will help establish a better medical and health service system in western Guangdong, further optimising the distribution of medical resources, and providing high-quality medical and health services for residents in western Zhuhai and even Guangdong-Hong Kong-Macao GBA cities.

E-commerce

The report titled "Chinese Cities of Opportunity 2019" reveals that Zhuhai ranks first in terms of "technical maturity", and the third in terms of "e-commerce development index" and "patent authorisation volume", which means it has laid a strong foundation for the establishment of the Guangdong-Macao information hub.



PwC's point of view:

- To develop an industrial belt for advanced equipment manufacturing on the west bank of the Pearl River spearheaded by Zhuhai to realise industrial transformation and upgrading and actively cultivate high and new technologies;
- A great way for Zhuhai to embrace the great opportunity from the opening of the Hong Kong-Zhuhai-Macao Bridge is to provide quality services like Hong Kong and Macao and promote the development of tourism, trade, exhibition and other sectors, thus driving the in-depth integration of the advanced manufacturing industry and service industry;
- To provide better public services including education, medical care, transportation and other international services to attract more talents to settle or start businesses in Zhuhai;
- To drive promotion for Zhuhai tourism products and innovation in cultural industries to further fuel tourism consumption, especially to attract more Macao residents and investors; to introduce sports, e-sports, music and other emerging projects to attract tourists of various age groups and explore industrial chain business opportunities.

In recent years, in adherence to the innovation-driven strategy, a series of measures have been taken by Zhuhai to increase investment in innovation with initial results obtained. Zhuhai features a mature e-commerce industry and export-oriented economy (ranking the 4th in terms of "Foreign trade dependence"), and the development of its cross-border trade industry will be further promoted under the construction of Hengqin Free Trade Zone. For example, in 2018, it was ranked as one of the top 30 best prefecture-level cities in mainland China and the 6th among the 30 most innovative cities.

Cross-border financial services

To build a cross-border financial cooperation demonstration zone between Macao and Zhuhai is what the Guangdong-Hong Kong-Macao GBA expects from the two cities. In support of the diversified development of Macao's economy, Zhuhai will focus on cross-border finance and develop financial industry such as fostering the growth of private equity funds. By the end of December 2018, Zhuhai was home to 4,643 equity and venture capital enterprises, among which 1,633 private equity funds, with a total fund size of about RMB 500 billion, had been registered with Asset Management Association of China. The majority of such equity and venture capital enterprises are from Hong Kong or Macao. In addition, at the beginning of 2019, Zhuhai, following Shenzhen, became the second city in Guangdong province to implement the QFLP pilot programme, and shared some successful cases of two-way RMB cash pooling. Hengqin is also focussing on developing cross-border finance and accelerating the construction of a financial service base with Macao characteristics as the centre of a cross-border financial cooperation demonstration zone between Guangdong and Macao. Diversified cross-border financial innovation is largely being promoted against such a backdrop.

IV. Development opportunities

Zhuhai is frequently mentioned in the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* officially issued by the Central Committee of the Communist Party of China and the State Council in February 2019. In the first section of Chapter 10 of the plan, there is a proposal to “take forward the demonstrative functions of Hengqin in Zhuhai for in-depth cooperation among Guangdong, Hong Kong and Macao”, to enhance the functions of the Shenzhen-Hong Kong modern service industry cooperation zone in Qianhai in Shenzhen, and to develop Nansha in Guangzhou into a demonstration zone for comprehensive cooperation among Guangdong, Hong Kong and Macao. As the platforms for the cooperation and development among Guangdong, Hong Kong and Macao, the three should be given equal priority. The details are:

- **To develop a demonstration zone for comprehensive cooperation among Guangdong, Hong Kong and Macao.** “To complement Macao’s development into a world tourism and leisure centre, develop Hengqin in Zhuhai into a high-standard international leisure and tourism island. To support the coordinated development of Hengqin, Zhuhai Free Trade Zone and Hongwan area, and develop a Guangdong-Hong Kong-Macao logistics park. To expedite the development of major cooperation projects including the Macao-Hengqin Youth Entrepreneurship Valley (Inno Valley Hengqin) and the Guangdong-Macao Cooperation Industrial Park, and study the development of a Guangdong-Macao information hub. To support the development of the Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao, explore enhancing cooperation with the national innovation alliance of modern traditional Chinese medicine technology enterprises.”
 - **To enhance cooperation in livelihood projects.** “To support Zhuhai and Macao in jointly developing livelihood projects with integrated service including elderly care, living, education and healthcare in Hengqin. To study the establishment of a healthcare fund to offer healthcare protection for Macao residents receiving medical treatment in Hengqin. To consider establishing schools for the admission of Macao children.” Hengqin, in cooperation with Macao, is exploring ways to construct “new Macao housing blocks” in accordance with standards and regulations on the construction of Macao communities to extend coverage of support facilities for people who settle in Hengqin from Macao. In this way, Hengqin is striving to provide such residents with social services equal to those provided by Macao.
 - **To strengthen cooperation in opening up.** To support Hengqin and Macao in jointly developing the China-Latin America economic and trade cooperation platform, establish international trade channels between the Mainland and Belt and Road-related countries and regions, and promote innovation in modes of trade in services such as cross-border supply, overseas spending, movement of persons and commercial presence. To support Hengqin in enabling Macao’s development of cross-border e-commerce industries, and facilitate the convenient entry of products from Lusophone countries into the Mainland market via Macao. To study delegating authority to Hengqin for issuing residence permits to foreigners.”
- In addition, according to the Outline Development Plan, Zhuhai will play quite an important role in building a spatial network driven by high-impact locations, developing the key node cities, developing a world-class airport cluster, strengthening the energy storage and transport system, improving flood prevention and mitigation systems, optimising the layout of the manufacturing industry, developing an international financial hub, progressively promoting mutual financial markets access, expanding the scope for employment and entrepreneurship, etc.
- **To develop the key node cities and build a spatial network driven by high-impact locations poles.** “To support Zhuhai in fully leveraging 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 deepen the cooperation between Macao and Zhuhai, enhance the overall strength and global influence of the cities, and lead the GBA to cooperate on an international basis with greater intensity.”
 - **To promote the integration of transportation infrastructure in the GBA.** “To strengthen the functions of airports such as those in Zhuhai, and pursue development of airports in the GBA; to deepen management reform in low-altitude airspace, expedite the development of general aviation, steadily develop cross-border helicopter services, and set up general aviation demonstration zones in Zhuhai; to enhance the internal drainage systems and water holding capacity in cities, develop and improve the flood and storm surge prevention as well as drainage systems in Macao, Zhuhai, Zhongshan, etc., and effectively solve the problem of urban flooding.
 - **To serve the whole country in reliance on the GBA and strengthen the energy storage and transport system.** “To expedite the construction of large petroleum reserve bases in the Pearl River Delta, facilitate the coordinated construction of new liquefied natural gas (LNG) terminals and the upgrading of the storage and regasification capacities of existing LNG terminals, plan the construction of feeder pipelines based on the national natural gas network, expand the coverage of oil and gas pipelines, and increase oil and gas storage and supply capacities. To pursue the construction of national coal reserve bases in Zhuhai, and put in place a system of coal reception, transit and storage.”
 - **To optimise the layout of the manufacturing industry and strengthen industrial synergy.** To raise the development level of the national demonstration bases for new industrialisation, and develop an industrial belt for advanced equipment manufacturing on the west bank of the Pearl River spearheaded by Zhuhai and Foshan; to leverage the advantages of having complete industry chains in Zhuhai and other areas, enhance collaboration and connectivity among industries in the GBA, and raise the level of coordinated development.

- **To develop an international financial hub and special financial products and services.** To study and explore the development of a Macao-Zhuhai cross-border financial cooperation demonstration zone; to support municipalities such as Zhuhai to leverage their own strengths, and develop financial products with distinct characteristics; to support eligible Hong Kong and Macao banks and insurance institutions in setting up operations in Hengqin in Zhuhai.”
- **To promote entrepreneurship and employment as well as talent flow.** To establish experimental zones for entrepreneurship and employment for Hong Kong and Macao professionals in Hengqin in Zhuhai, allow on a trial basis enterprises and professionals that have obtained the corresponding qualifications for providing construction and related engineering consultation services in Hong Kong and Macao to provide Mainland market entities with direct services, and introduce more pilot projects and opening up measures gradually.

To sum up, the Guangdong-Hong Kong-Macao GBA provides Zhuhai with a major opportunity for future development, especially for deepening the cooperation of Zhuhai with Macao and Hong Kong. Zhuhai will rely on the Hengqin New Area to further deepen the coordinated development of industries with Macao and Hong Kong. It will adopt facilitative measures in strategic emerging industries; and modern service industries, such as finance, tourism exhibitions, trade, science and technology for in-depth cooperation.

Key projects for cooperation with Macao include but are not limited to: to complement Macao’s development into a world tourism and leisure centre; to develop Hengqin in Zhuhai into a high-standard international leisure and tourism island; to develop a Guangdong-Hong Kong-Macao logistics park; to develop major cooperation projects including the Macao-Hengqin Youth Entrepreneurship Valley (Inno Valley Hengqin), the Guangdong-Macao Cooperation Industrial Park, the Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao and a Guangdong-Macao information hub.



PwC’s point of view:

- The Outline Development Plan sheds light on the future development of Zhuhai and has also served as a boost for companies interested in expanding their businesses in this city. Zhuhai should focus on how to strengthen its cooperation with Hong Kong and Macao, improve collaboration and achieve win-win development;
- Further enhance the radiating role of the Hong Kong-Shenzhen and Guangdong-Foshan high-impact locations, further enhance the vitality of the construction of the Hengqin Free Trade Zone, work together with Macao to build a new economic growth pole in the GBA and play an active role in promoting the development of Macao’s diversified industries.



V. Preferential policies

In accordance with the *Written Reply of the State Council on Relevant Policies for the Development of Hengqin New Area* (Guo Han [2011] No.85), the State Council agrees to authorise “the preferential policies implemented in Hengqin in Zhuhai to be more favourable than those in special economic zones”, clearly grants Hengqin specific preferential policies such as “innovation of systems and measures for customs clearance”, “special tax benefits” and “supports in the development of Industrial Park of Cooperation between Guangdong and Macao”, so as to turn Hengqin into “a special zone within special zones”. This reflects the state's determination to steadfastly implement “one country, two systems” and the great importance that it attaches to pushing forward the development of Hengqin, deepening of reform and opening up, and promotion of closer cooperation among Guangdong, Hong Kong and Macao.

The following excerpts are from the fiscal and taxation policies specific to Hengqin New Area, some of which also apply to the city of Zhuhai as a whole:

Enterprise income tax with preferential tax rate of 15%

For the period from 1 January 2014 to 31 December 2020, an enterprise in a state-advocated industry shall be taxed with a lower rate of enterprise income tax of 15%. This refers to an enterprise whose industrial projects are listed in the *Catalogue for Enterprise Income Tax Preferences for Hengqin New Area* as the main business, and whose main business income accounts for over 70% of the total revenue of the enterprise. With regards to enterprises that have premises both outside and inside of Hengqin New Area, only the premises inside the area shall enjoy the 15% lower rate of enterprise income tax. When considering whether the premise inside Hengqin New Area is in accordance with the preferential terms, it is necessary to see whether the premise follows the prescribed terms, without considering the factors that are outside of Hengqin New Area.

Polices on customs clearance

The ports between Hengqin and Macao shall be subject to “first-line” administration, and the channels between Hengqin and other areas within the customs territory of the People's Republic of China (hereinafter referred to as “other areas”) shall be subject to the “second-line” administration. An administration mode of “relaxed control at the first line, strict control at the second line, separation of people and goods, and categorised management” is implemented in Hengqin New Area.

Special customs policies include:

- Production-related goods (including equipment for production) entering Hengqin from outside China shall be entitled to bonded tax treatment; tariffs and import VAT are levied when the goods are transferred to other parts of the Mainland;
- Goods traded between enterprises from Hengqin shall be exempted from VAT and consumption tax;
- Production-related goods sold to Hengqin from the Mainland shall be regarded as export goods and receive tax rebates as stated by relevant provisions;
- Goods which are produced and processed by enterprises established in Hengqin and sold to the Mainland through the second line shall be subject to VAT, consumption tax and tariffs according to regulations;
- Enterprises may choose to file tax at the tariff rate of imported materials or that of manufactured goods.

Personal tax benefits

(Applicable to Zhuhai, including Hengqin New Area)

In accordance with the *Notice by the Ministry of Finance and the State Taxation Administration of the Preferential Individual Income Tax Policies for Guangdong-Hong Kong-Macao Greater Bay Area* (Caishui [2019] No. 31), from 1 January 2019 to 31 December 2023, subsidies shall be provided for high-end talent and talent that is in short supply overseas (including Hong Kong, Macao and Taiwan) working in the GBA (i.e. Guangzhou, Shenzhen, Zhuhai (including Hengqin New Area), Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, and Zhaoqing in the Guangdong province) as per the difference of individual income tax between the Mainland and Hong Kong as calculated by Guangdong province and Shenzhen city, and the said subsidies should be exempted from individual income tax. Regarding the determination of and subsidy measures for high-end talents and talent that is in short supply overseas, the relevant provisions of Guangdong province and Shenzhen city shall apply.



Other talent rewards

Both Zhuhai city and Hengqin New Area have offered rewards for high end talent at different levels, including cash incentives, housing and living allowances. (Note: Please refer to the latest local policies for details.)

Special funds and support for enterprises

Hengqin New Area provides a series of funds and supports such as a special fund for the development of cultural and creative industries, a special fund for the development of the Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao, cross-border office rent subsidies for Macao enterprises in Hengqin, enterprise listing incentives, private equity investment funds and special support for fund managers, special funds for cross-border e-commerce development, support funds for headquarters enterprise development, support funds for Blockchain enterprises or institutions, etc.

In terms of the above special funds and supports, there are specific regulations, application procedures and timelines for qualified enterprises. Some funds are granted only once upon settlement, while others are used to calculate the incentive amount based on taxation and other contributions. By referring to the specific regulatory requirements, enterprises can assess the applicability on their own, and plan their investment, business, and personnel arrangements in the Hengqin New Area.

To encourage Macao enterprises to do cross-border office work in Hengqin

In March 2019, Hengqin New Area issued the *Interim Measures on Encouraging Macao Enterprises to Do Cross-Border Office Work in Hengqin* (“the Measures”). Under the Measures, Macao enterprises are encouraged to do cross-border office work in Hengqin, such as renting offices and hiring employees directly in Hengqin; companies engaged in cross-border office work in Macao can also obtain rent subsidies for renting an office in Hengqin. Under the Measures, a cross-border office enterprise filing system is implemented. Macao enterprises are required to provide documents on registration as commercial subjects with the Macao SAR government for a record filed with the Macao Affairs Bureau of the Hengqin New Area; offices in Hengqin are only limited to pilot buildings.

In Hengqin, “only the internal management business activities of the enterprise itself can be carried out”; if the business activities are carried out externally, the business entity should be registered as commercial subject in Hengqin according to law. Cross-border Macao companies doing office work can directly use their bank accounts in Macao to pay for their office rents, property management, wages and salaries, service outsourcing, and purchases for self-use materials in Hengqin. Hong Kong enterprises renting office buildings for cross-border office work in Hengqin may refer to the Measures. The Measures are valid until 31 December 2020.



PwC's point of view:

- Enterprises should make good use of various preferential measures and plan ahead for better cost control and increased profitability;
- When conducting business and tax planning, enterprises need to pay attention to the timelines of various policies and rationally arrange their business so as to avoid risks.

Conclusion

Under the background of accelerating the construction of Guangdong-Hong Kong-Macao GBA, Zhuhai will play the leading role in the reform and innovation. Zhuhai has a good economic foundation, but its economy and population are small. With a good momentum in the development of the real economy, Zhuhai, as one of the vanguards, should grasp the opportunity to develop an industry for advanced equipment manufacturing on the west bank of the Pearl River, create a good environment for industrial development, and build an industrial chain that integrates both upstream and downstream enterprises, in a bid to realise industrial transformation and upgrading and foster new growth centre.

A great way for Zhuhai to embrace the opportunities from the opening of the Hong Kong-Zhuhai-Macao Bridge is to develop a quality service industry like Hong Kong and Macao and promote the development of tourism, exhibition, finance and other sectors, thus driving the in-depth integration of the advanced manufacturing industry and service industry. With the constant acceleration of economic transformation and consumption, the development of service industry, especially tourism, will become a new highlight for the future economic development of Zhuhai. Accordingly, Zhuhai should further boost tourism consumption and attract more Macao residents and investors.

Ever since it was established as a special zone, Zhuhai, in adherence to the development concept of “ecology priority”, has gained the “ecological dividend”, thus laying a solid foundation for high-quality development. Constantly strengthening and enhancing ecological advantages is an important part of developing the GBA. As Zhuhai is expected to experience a period of rapid growth in population in the next decade, it should coordinate its urban development with high standards, further optimise the business environment and create more opportunities for employment and development.

With Hong Kong and Macao under their respective Closer Economic Partnership Arrangements (CEPAs) with the Mainland, Guangdong province will further expand the scope of opening up, while Zhuhai will further develop the free port advantages of Hong Kong and Macao, and promote the innovation of customs clearance system, science and technology, management system and development model. This is how Zhuhai facilitates the employment and housing of Hong Kong and Macao people, enhances the level of internationalisation, builds a high-level scientific and technological innovation and industrialisation base, and accumulates experiences for the “Scientific Development and Pilot Implementation” of the Pearl River Delta. Zhuhai will shoulder the responsibility of strengthening cooperation between Zhuhai and Macao, and build a regional industrial hub by absorbing high-quality resources for development from foreign countries and Hong Kong and Macao; promote the technological transformation and optimisation and upgrading of traditional industries in the Pearl River Delta and the Mainland via the transfer, diffusion and spillover effects of high technology; focus on expanding Macao's industrial development and educational research so as to promote the diversified development of Macao's economy.

Looking forward, Zhuhai will join hands with Macao to develop a new growth centre in the GBA, and promote deeper cooperation with Hong Kong and Macao, thus ushering in a new win-win pattern for cooperation. Enterprises should grasp the opportunities for connectivity and the flow of people, logistics and information brought about by the opening of the Hong Kong-Zhuhai-Macao Bridge as well as various tax incentives; and participate in the investment and construction of Zhuhai as their own businesses continuously develop.

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