



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

To develop new growth potential in

Guangdong-Hong Kong-Macao

GBA: Dongguan



# Foreword

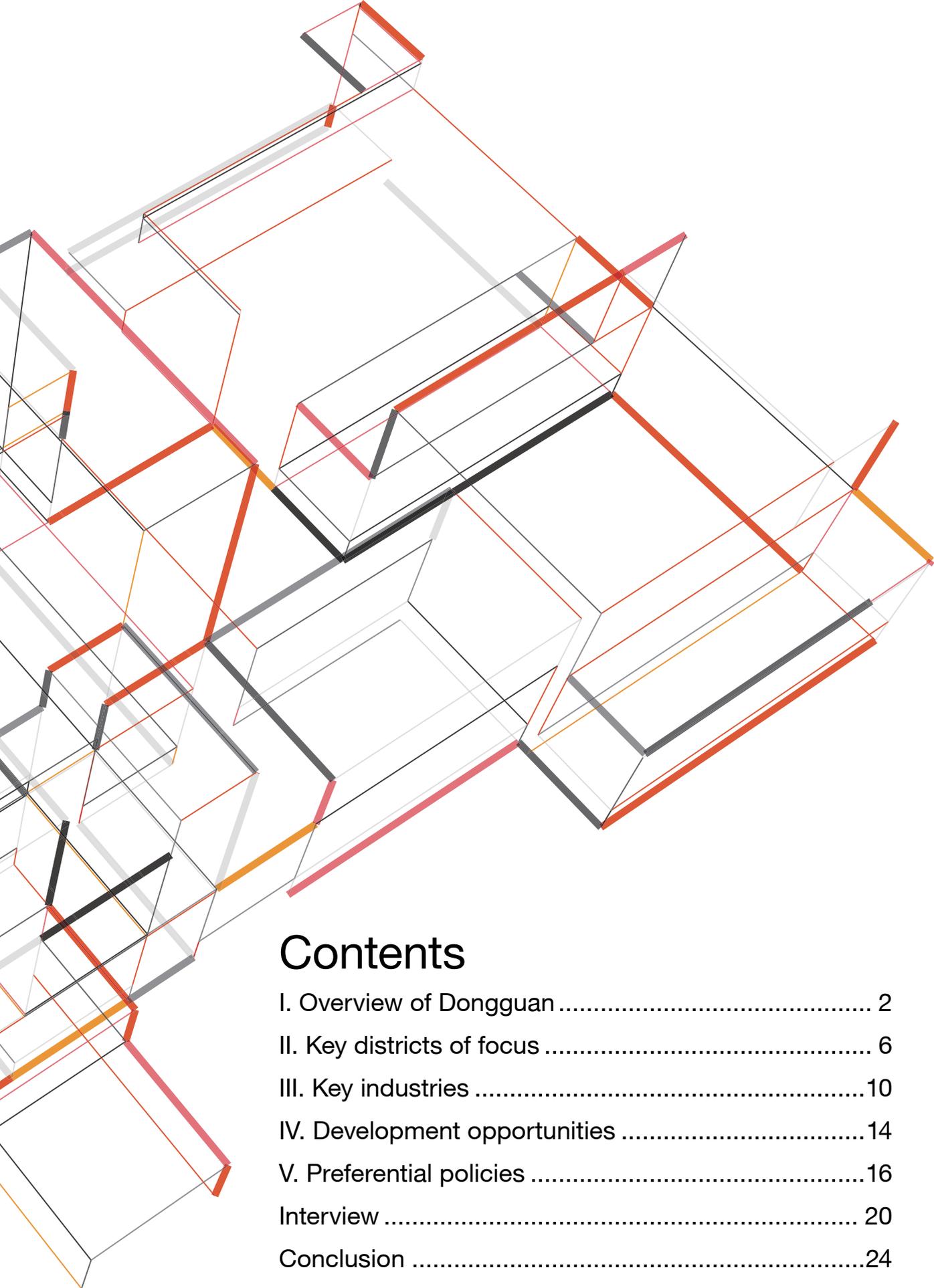
The Outline of the Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area is a major measure for China to foster a new wave of developments in the new era, and also an important manifestation of China's vision of economic growth and social progress. This national-level strategic plan brings unprecedented opportunities for development to the Guangdong-Hong Kong-Macao Greater Bay Area (hereinafter referred to as Greater Bay Area or GBA for short) cities, and will create new engines of growth for regional economic development.

With the frequent release of beneficial policies, Dongguan plays an important role in the GBA, and has ushered in a promising period full of strategic development opportunities. In August 2019, China's central government issued the Opinions on Supporting Shenzhen in Building a Pioneering Demonstration Zone for Socialism with Chinese Characteristics to further exert Shenzhen's positive economic externalities, driving the coordinated development of surrounding areas. Dongguan is the only experimental area in Guangdong Province that is committed to the theme of supply side structural reform and innovation for the manufacturing industry. It shoulders the heavy responsibility in exploring high-quality manufacturing development in Guangdong Province.

The construction of the Shenzhen Pioneering Demonstration Zone and the construction of the Dongguan Reform and Innovation Experimental Zone, Dongguan's urban development will face a major historical opportunity brought by the development of the GBA, and it will enter a new stage. The city is expected to join the ranks of the "Trillion Club", an association of cities that boast a combined GDP of more than a trillion within the next three years and to move toward becoming a "megacity" in the next ten years as planned. This will raise its strategic position not only in the GBA, but also from a national perspective.

PwC sheds lights on the "Cities of Opportunity" in the GBA, and recently launched a series of reports around how to develop new growth potential in Guangdong-Hong Kong-Macao GBA. The Dongguan report is the second coverage of this series, focusing on the city's overall situation, crucial regions, key industries, preferential policies and development opportunities, explaining the new drivers for Dongguan's economic growth and the new blueprint for its urban development. It will hopefully provide useful reference and learning resources for policy makers, enterprises and investors.

The series also includes reports on Zhuhai and Foshan. PwC has always had great enthusiasm around the the implementation of the GBA plan. We will continue to play a part in pushing this ambitious development strategy forward.



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# I. Overview of Dongguan

Dongguan, also known as Guan City, is a prefecture-level city under Guangdong Province jurisdiction. It is one of the central cities on the east bank of the Pearl River Delta, and an important node city in the GBA. Located adjacent to Hong Kong and Macao, Dongguan is in the south-central part of Guangdong Province. It sits on the east bank of the Pearl River Estuary, with Guangzhou across the sea in the west and bordering Shenzhen in the north, and Huizhou in the east. Dongguan enjoys favourable geographical advantages, and thus is an important transportation hub and foreign trade port for Guangdong Province. At the beginning of the economic reform, while China was opening up its doors to the world, Dongguan started as a processing and assembly line, and is now renowned for being the “world’s factory”. It is also called the head of the “Four Little Tigers of Guangdong”.

Dongguan covers a land mass of 2,460 square kilometers and has a sea area of 97 square kilometers. As of 2018, the city had a permanent resident population of 8,392,200, and an urban population of 7,638,600. This would mean a 91.02% population urbanisation rate. Dongguan is also one of China’s famous hometowns for overseas Chinese, with more than 700,000 living in Hong Kong, Macao and Taiwan, and over 200,000 abroad in other countries.





Dongguan is a city with convenient transportation. It leverages its dense expressways, high-speed railways, trunk railways and intercity railway networks to connect it closer to other cities.

- The Guangzhou-Shenzhen-Hong Kong Express Railway (Humen Station) officially opened in September 2018, which means that Dongguan, Shenzhen and Hong Kong are all within a “one-hour living circle”. As of January 2019, the direct trains from Humen High-speed Railway Station to Beijing and Shanghai have also been opened.
- There are many railway stations in Dongguan, including Dongguan Station, Dongguan East Railway Station, Humen Station, and Changping Station. Dongguan West Railway Station and Tangxia Station are currently under construction; Dongguan Station is a national first-class railway port, where entry and exit procedures for transit trains to Hong Kong can be directly processed.
- The trunk railways run via Dongguan include the Kowloon-Canton Railway, Guangzhou-Meixian-Shantou Line, Beijing-Kowloon Railway, Guangzhou-Shenzhen-Hong Kong Express Rail Link, as well as the Shenzhen-Maoming High-speed Railway and Jiangxi-Shenzhen High-speed Railway under construction, which will bring Dongguan more opportunities;
- The intercity railways passing through Dongguan include Guangzhou-Shenzhen Railway, Guangzhou-Dongguan-Shenzhen Intercity Railway, and Guangzhou-Huizhou Intercity Railway (Dongguan-Huizhou Section), this has continuously increased traffic and improved the commuting efficiency in Dongguan;
- There are a series of expressway projects under construction and in the pipeline. The Dongguan-Panyu Expressway will bring a more convenient than crossing the river, the He Hui Guan Expressway will shorten the driving distance from Dongguan to northeastern Guangdong. When the Huadu-Dongguan Expressway comes into service, it will

be the most convenient high-speed line from Dongguan to the new Guangzhou Baiyun International Airport;

- The Second Humen Bridge (Nansha Bridge) was officially opened in April 2019, which helps to decongest traffic between the east and west banks of the Pearl River estuary. It also serves as another fast track between Guangzhou and Shenzhen.

With a coastline of 115.94 kilometers, the first class hundred-million-ton Dongguan Port, (formerly Humen Port) is of utmost importance. In 2018, the total cargo throughput of Dongguan Port was 160 million tons, ranking third among inland cities in the GBA after Guangzhou and Shenzhen.

#### Population and Economic Scale

In 2018, Dongguan’s total GDP reached RMB 827.9 billion, a year-on-year increase of 7.4%. With high growth rate ranking, Dongguan has performed 0.8 and 0.6 percentage points higher than that of the whole nation and Guangdong province respectively. In 2018, Dongguan’s GDP ranked fourth among the nine GBA cities in the Pearl River Delta, outbeat by Foshan in third place. Its economic development is at a relatively high level among the inland GBA cities, and is expected to join the ranks of highest-rated cities in the country.

In 2018, the total permanent resident population in Dongguan reached 8.39 million, an increase of 125,700 new residents, a record high since the city’s establishment more than 30 years ago. This is a result of the advantages in Dongguan as an economic haven with plenty of employment opportunities. According to the Dongguan Population Development Plan (2020-2035)<sup>2</sup>, by 2030, the permanent resident population of Dongguan will reach 10.2 million, and will also be considered a “megacity” ( population of over 10 million). In the next decade, Dongguan is expected to experience a period of rapid population growth.

Major Economic Indicators of Dongguan (2016-2018)<sup>1</sup>

Year	Permanent resident population (thousands)	GDP (RMB millions)	Per capital GDP (RMB/capital)
2016	826	6,937	84,007
2017	834	7,582	91,329
2018	839	8,279	98,939

Source: «Dongguan Statistical Yearbook 2018»

### City competitiveness <sup>3</sup>

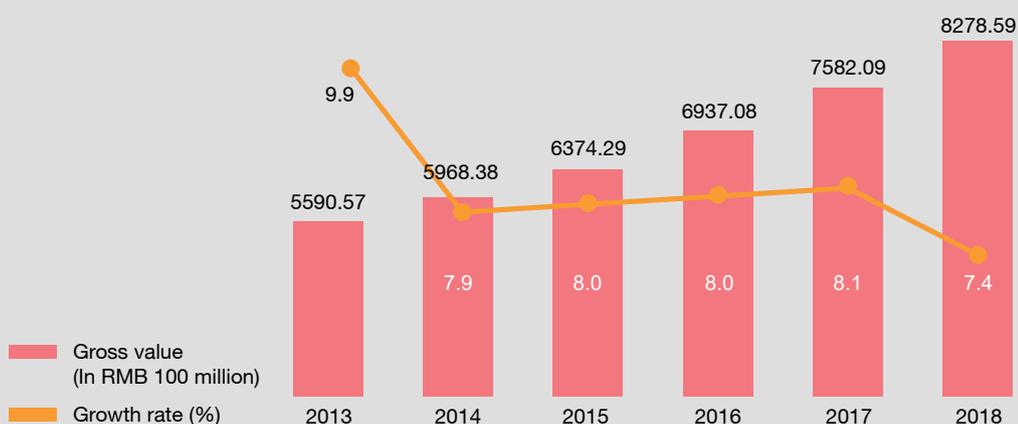
In the 2018 Annual Report on City Competitiveness jointly issued by the Chinese Academy of Social Sciences and the Economic Daily, the ranking of comprehensive economic competitiveness, indicated that Dongguan had risen to the top ten cities<sup>4</sup> in China for the first time. This was an upward movement of three ranks compared with 2017, and was amid the “highest ranks” along with other cities including Shenzhen, Hong Kong, Shanghai, Guangzhou, Beijing and other cities.

Dongguan’s comprehensive score of “Start-up Convenience Index” ranked first among all prefecture-level cities in Guangdong for three consecutive years;

“Sustainable Development in Innovation Competition” ranked seventh in China; “Comprehensive Competitiveness in Foreign Trade” third, and the growth rate of imports and exports ranked first among nine cities in the Pearl River Delta.

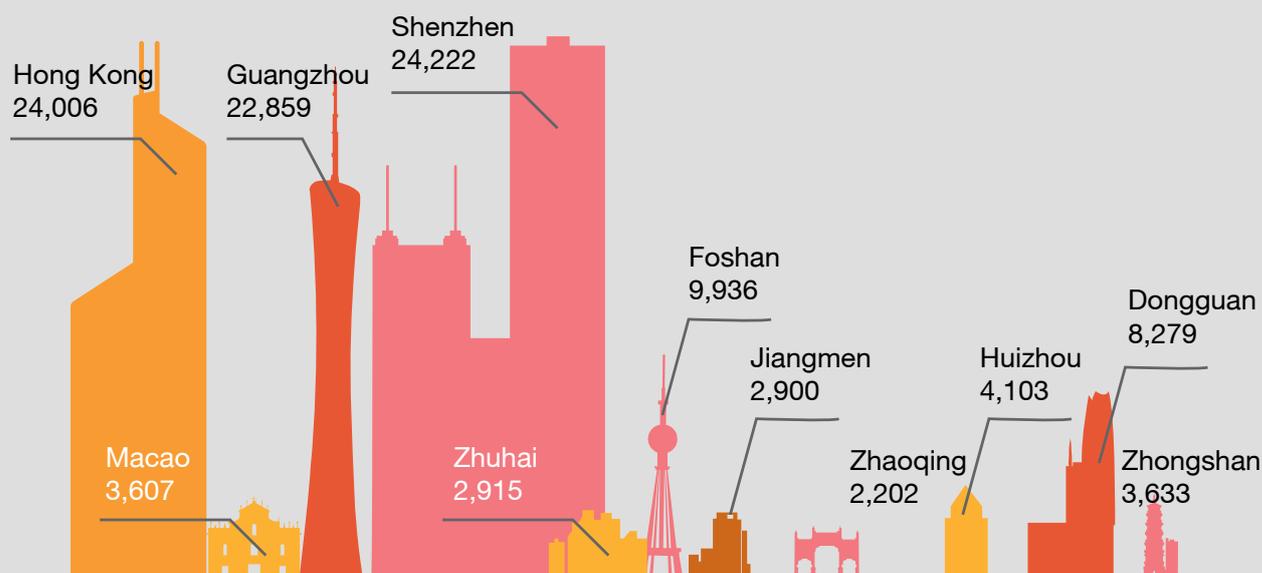
As one of the cities with the largest number of parks in China and a forest coverage of 37.4%, Dongguan’s favourable ecological environment has helped it win honours as the “International Garden City”, “National Forest City” and “National Garden City”. It provides people living and working in Dongguan a comfortable ecological environment.

Regional GDP and growth rate (2013 - 2018)



Source: Statistics Bureau of Dongguan City, PwC

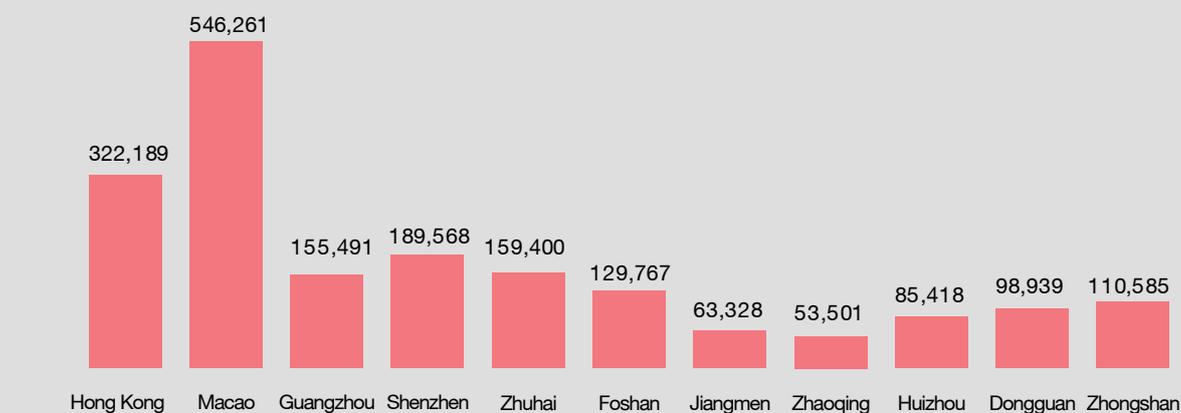
GDP of Greater Bay Area in 2018 (In RMB 100 million)



Source: CEIC, National Bureau of Statistics, PwC

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



Source: CEIC, National Bureau of Statistics, PwC



### PwC's point of view:

- **Public policies:** Dongguan plans to expand its urban population to 10 million in the next ten years, which will bring higher requirements and challenges to its urban construction and planning. It needs to further promote infrastructure construction and improve the refined urban management to lay a solid foundation and transform into a “megacity”. It should also take measures to attract talent consistent with industry demands.
- **Business implications:** Since the release of the development plan for the GBA, the infrastructure construction in Dongguan has been accelerating at a fast pace, creating more investment opportunities for real estate, infrastructure and transportation enterprises. With future industrial transformations and upgrading and the continuous population inflow, more industries will benefit from development opportunities. We recommend enterprises that intend to invest or expand investment in Dongguan begin their journey to take a strategic foothold in the city.



## II. Key districts of focus

The Dongguan Master Plan (2016-2030)<sup>5</sup> illustrates the city's goal for development and positions it as “an international manufacturing city and a modern eco-city”. Recently, Dongguan added that it would follow suit in the trends of urban clusters of the GBA. It would leverage its advantages in the quality of development, and would strive to forge Dongguan into a “Bay Area City featuring High Quality Development”.

In China, Dongguan is one of the five prefecture-level cities without any administrative districts. However, there are 4 neighbourhoods, 28 towns, and 592 villages (communities) under its administration. Dongguan has a national development zone (Songshan Lake High-tech Industrial Development Zone) and three provincial-level development zones (Dongguan Eco-Industrial Park, Dongguan Shuixiang New Town Economic Development Zone and GDH Advanced Equipment Technology Industrial Development Zone).

In April 2017, without having to change the administrative structure and spatial scope of existing parks and towns and neighbourhoods, Dongguan divided the neighbourhoods and towns of the city into six major districts. These have been respectively named Binhai District, Songshanhu District, South-East Linshen District, Shuixiang New Town District, Downtown District, East District (industrial park area), and 14 key development pilot areas.<sup>6</sup> Dongguan's planning for districts is conducive to optimising resource allocation and gathering strength to develop and grow industries.

**Songshanhu District:** Songshanhu district sits in an advantageous geographic location due to its position in the centre of Dongguan City along with convenient transportation. In the early stages of its construction, the layout circle structure is conducive to ecological protection, which has now become one of the key advantages for the district.

Songshanhu District is committed to building a core area for the development of key industries driven by science and technology research, innovation and high-tech industries. It will play a key role in fostering creation and accumulation of innovative ideas through with the establishment of headquarters bases, innovation platforms, service centres, etc. It will also foster new momentum for the development of industries, by promoting new generation information technology, new materials, biotechnology, robotics and modern services.

Huawei's terminal headquarters and research and development department have settled in Songshan Lake Industrial Park, which has brought a “Huawei effect” to the district. It has attracted OPPO, VIVO, DJI, CIMC and other high-tech enterprises to settle here one after another. This has generated a huge cluster effect and attracted upstream and downstream enterprises in the industrial chain. This has also created a new advantage for “intelligent manufacturing in Dongguan” and is also supported by many industrial systems.

In the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area<sup>7</sup> (the “Outline”), it has been pointed out that in order to encourage the Hong Kong and Macao youth, as well as small and medium-sized enterprises to seek opportunities in mainland China, qualified Hong Kong and Macao entrepreneurs will be included in the scope of local entrepreneurship subsidies. They are also encouraged to take part in the construction of entrepreneurial bases. This has resulted in the opening of the Hong Kong and Macao Youth Innovation and Entrepreneurship Base in Dongguan Songshanhu District (Ecological Park).



**Dongjiang Binshui District and Nancheng Business District:** These are pilot districts of the city's policies that have huge advantages geographically. In addition to several construction projects that are in progress, the Nancheng Headquarters Base has begun to take shape. Skyscrapers are starting to rise from the ground, with rail tracks also leading into these districts to provide for more convenient transportation. In the future, we expect that this will become a high-quality business and residential centre.

**Binhai District:** The Binhai District will fully connect Shenzhen's greater airport area with Qianhai and Nansha Guangzhou. This area will benefit from being a "coastal area" and will start to develop industries such as new materials, new energy and smart terminals. It is actively integrating itself into the overall development strategy of the GBA, as well as the national strategy of "Belt and Road" to enhance its regional development advantages.

The Outline emphasises that Dongguan will collaborate with Hong Kong to develop and build the Binhaiwan Bay Area of Dongguan. This will include gathering high-end manufacturing headquarters, developing modern service industry, and building a research and development base for strategic emerging industries. The Dongguan Binhaiwan Bay Area Development Master Plan (2019-2035) issued on June 2019 marked the improvement of the strategic status of Binhaiwan Bay Area and represented a milestone of the new area's construction. In addition, it also finalised that the Greater Bay Area University will be based in the Binhaiwan Bay Area. It will deliver fresh talent and cultivate this area as an innovative environment.

**East Industrial Park District:** This district has a very clear and targeted goal; to optimise regional transportation construction opportunities. This would include the Dongguan-Huizhou Intercity Expressway, Conghua-Dongguan Expressway and Panyu-Dongguan Expressway, and to promote and accelerate the development of the "One District, One Park and One Town" initiative (Yinping Innovation Zone, GDH Industrial Park and Changping Town). The purpose of this is to construct the district into a demonstration zone for the integration of industrialisation and urbanisation in the Guangdong Province, and a cooperation zone for the integrated development of Shenzhen-Dongguan-Huizhou, an important modern manufacturing base in Dongguan.

**South-East Linshen District:** Ecological resources play a huge advantage for this district. It can integrate its plan with Shenzhen's "Eastward Strategy" to receive spillovers from Shenzhen's innovative resources and modern industries. By leveraging the advantages of manufacturing clusters and striving to develop robotics and intelligent manufacturing industries, the district can further promote the transformation and upgrade its title from "Made in Dongguan" to "Intelligent Manufacturing in Dongguan".

**Shuixiang New Town District:** Located in the Northwest of Dongguan City, the overall development goal of this district is to build the "Water Town South of the Five Ridges, Headquarters Base and International Business Port". Its goal is to become the regional centre of the modern services industry on the East Coast of the GBA. This is an important district for the Guangzhou-Shenzhen Science and Technology Innovation Corridor, and will also act as the gateway to promote cooperation in the innovation and creative industries among Guangzhou, Shenzhen, Hong Kong and Taiwan, as well as a sub-centre of Dongguan City and the core area of the Water Town Economic Zone.

Promoting the overall and joint development of the regions and parks

14 key development areas in 6 districts in Dongguan which covers an area of 2,460 square kilometres





PwC's point of view:

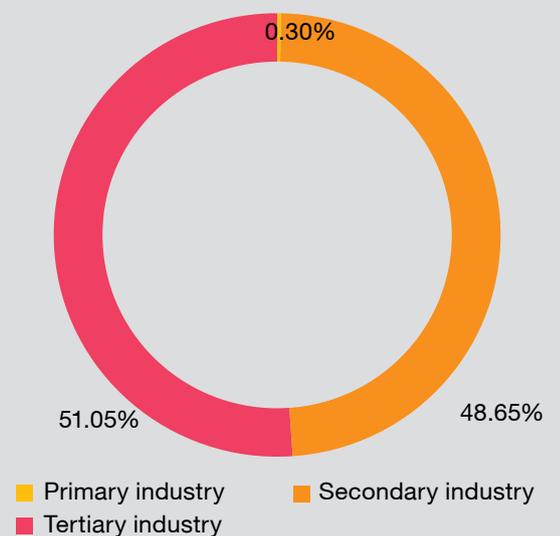
- **Public policies:** As an increasing number of high-tech enterprises, scientific research institutions and universities settle in Dongguan, the city should seize the opportunity to make use of their technological innovation and scale their operations to foster more innovative industry clusters. This will help accelerate talent attraction, accumulate capital as well as other elements for development. In addition to attracting innovative enterprises by hardware environment, Dongguan should focus its efforts on improving the soft power of the city such as public service facilities and ecological environment. This will increase the sustainable appeal to high-tech enterprises and top-tier talents.
  - **Business implications:** Enterprises in Dongguan should take advantage of any opportunity to collaborate with scientific research institutions to establish a long-term cooperation partnership. They should also promote the transformative commercial applications of their achievements leveraging on the huge domestic market. Industrial chain companies should also improve their business innovations and move towards a higher end of the industrial chain, to catch up with the industrial upgrades of Dongguan.
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### III. Key industries

In 2018, Dongguan's GDP amounted to RMB 827,859 million, a year-on-year increase of 7.4% from the previous year. From an industry perspective, the GDP of primary, secondary and tertiary industries increased by RMB 2,504 million, RMB 402,721 million and RMB 422,634 million, up 7.4%, 6.9% and 7.9%, respectively. The proportions of the three industries were 0.30%, 48.65% and 51.05%<sup>8</sup> respectively, compared to the proportions for Guangdong Province under the same period which were 3.94%, 41.83% and 54.23%<sup>9</sup> respectively.

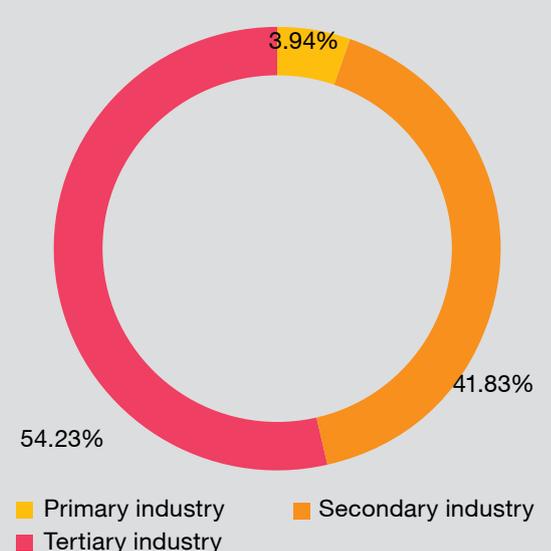
As described in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area<sup>10</sup>, a globally influential and competitive cluster of world-class high-end manufacturing industries, such as electronic and information technology, will be built up along the east bank of the Pearl River with Shenzhen and Dongguan as its core. Dongguan should aim to gather high-end manufacturing headquarters, develop modern service industries and build strategic emerging industry R&D bases. In addition, the Outline of the 13th Five-Year Plan for the National Economy and Social Development in Dongguan<sup>11</sup> pointed out the importance of jointly developing advanced manufacturing and modern service industries, while expanding strategic emerging industries.

Proportions of the Industries for Dongguan in 2018 (%)



Source: Statistics Bureau of Dongguan City, PwC

Proportions of the Three Industries for Guangdong Province in 2018 (%)



Source: Statistics Bureau of Guangdong Province, PwC



### **Advanced manufacturing industry**

Manufacturing is a significant foundation piece of the real economy. Dongguan has laid big foundational pieces as part of the industrial economy. In 2018, policies such as Several Policies and Measures of Guangdong Province for Reducing the Cost of Manufacturing Enterprises and Supporting the Development of the Real Economy (Revised) (also known as “New Ten Articles for the Real Economy” were introduced to promote the development of the manufacturing industry. Dongguan is also the only experimental area in Guangdong Province committed to structural reform and innovation on the supply side of the manufacturing industry. It shoulders a large responsibility of exploring high-quality development and manufacturing in Guangdong Province.

In 2018, the added value of industrial enterprises in Dongguan City reached RMB 390,457 million, and the added value of advanced manufacturing and high-tech manufacturing industries accounted for 52.3% and 38.9%<sup>12</sup> respectively. With these results, the target set by the 13th Five-Year Plan of Dongguan City has been completed, and ahead of schedule. According to the target, by 2020, the added value of advanced manufacturing industry should account for more than 52% of industrial enterprises above designated size<sup>13</sup>, indicating that the manufacturing structure of Dongguan has and will be continuously upgraded and optimised for full impact.

The five backbone industries in Dongguan include electronics and information manufacturing, electrical machinery and equipment manufacturing, textile, garments, shoes and caps manufacturing, food and beverage processing and manufacturing, and papermaking and paper products. Its four specialty industries include toy and stationery and sports products manufacturing, furniture manufacturing, chemical products manufacturing, and packaging and printing. The contribution of electronics & information manufacturing industry- one of the mainstay industries in Dongguan- to the growth of industries above designated size increased from 55.9% in 2017 to 60.6% in 2018. Dongguan is home to one out of every five smartphones in the world.

Focus spotlight for the advanced manufacturing industry: Electronics & information manufacturing (smartphones, photoelectricity communications, panel displays, integrated circuits, electronic components, electronic materials, etc.), high-end equipment manufacturing (intelligent robots, intelligent manufacturing equipment, energy-saving environmental protection equipment, auto parts manufacturing, medical device manufacturing, hardware mould, laser equipment, marine equipment, etc.), biomedicine, new energy vehicle manufacturing, energy-saving and environment-friendly manufacturing, and new materials.

### **Modern service industry**

The service industry, which accounted for the smallest proportion at the beginning of reform and opening up, has become the largest industry and a new driving force for Dongguan’s economy. Among the nine cities in the Pearl River Delta, Dongguan ranks third for its proportion of the modern service industry, following Guangzhou and Shenzhen. With the acceleration of the upgrading of industrial structures in Dongguan, the internal structure of the service industry continues to improve with the producer service industry and the modern service industry generating good progress .

According to the 13th Five-Year Plan for the Development of Modern Service Industry in Dongguan (2016-2020)<sup>14</sup>, by 2020 the modern service industry in Dongguan will be more mature, the industrial layout will be more sound, and the production-based and lifestyle-based service industries will see more coordinated development. Thus, a more mature and modern service will have been realised. By 2020, the modern service industry will account for 63% of the service industry, and the added value of the production-based service industry will account for 52% of the service industry.

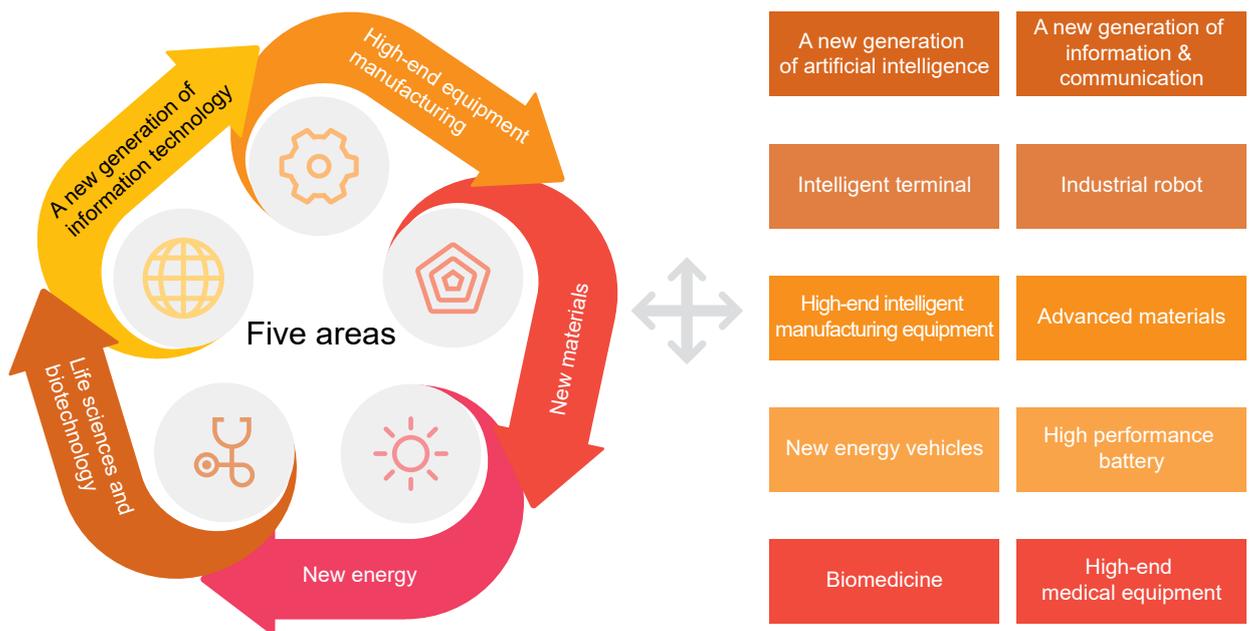
Focus spotlight for the modern service industry: Headquarters economy, modern logistics, e-commerce, technology services, financial insurance, service outsourcing, exhibition business, professional services and other production-based services, and business services, tourism, health services, elderly care services, family services, real estate and other lifestyle-based services.



### Emerging industries

Following the five backbone industries and four specialty industries, there will be five key emerging industries that will take off in Dongguan in the years to come. The Development Plan for Key Emerging Industries in Dongguan (2018-2025)<sup>15</sup> has emphasised the focus on the five emerging areas which will break through to the top ten key industries. It will develop a layout consisting of “one core, three belts and ten zones” to form a new driving force for the industrial development in Dongguan.

According to the plan, by 2025 the five emerging industries will become its own new pillar. The key emerging industries will grow at an average annual rate of 18.6% or more, with a total scale of more than RMB 4 trillion. It will support the strategic adjustment of industrial structure in Dongguan, and significantly enhance its capacity for sustainable development. It will help build Dongguan into an advanced manufacturing centre and an innovative city with global influence.





PwC's point of view:

- **Public policies:** It is better to drive the development of the real economy with innovation, and seize opportunities brought by the scientific and technological revolution and the industrial transformation. It is important to take advantage of 5G technology in China to promote integration of IoT, big data, artificial intelligence and the real economy. Incorporating advanced manufacturing and modern service industries is also crucial to enhance manufacturing competitiveness. This will also help to increase the added value of products in the manufacturing industry and Dongguan's position in the global industrial chain and value chain.
- **Business implications:** It has become an international trend for manufacturing enterprises to be increasingly intelligent and service-oriented. A strong manufacturing enterprise should strive to transform to carry out both manufacturing and service-based businesses. This will bring more opportunities for cooperation to the service companies in the upstream and/or downstream of the manufacturing industrial chain, such as R&D, consulting, financial services, logistics and marketing.



## IV. Development opportunities

The CPC Central Committee and the State Council issued the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area<sup>16</sup> in February 2019. The plan for Dongguan was framed in Chapter Six. 'Building a Globally Competitive Modern Industrial System'. Details to include:

- To optimise the layout of the manufacturing industry. To raise the development level of the national demonstration bases for new industrialisation, develop an industrial belt for advanced equipment manufacturing on the west bank of the Pearl River spearheaded by Zhuhai and Foshan, and develop a globally influential and competitive cluster of world-class high-end manufacturing industries, such as electronic communications, on the east bank of the Pearl River with Shenzhen and Dongguan as its core.
- To leverage the strengths of Hong Kong, Macao, Guangzhou and Shenzhen in innovation and R&D as well as their high concentration of headquarters 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 Greater Bay Area, and raise the level of coordinated development.
- To actively promote the construction of Hong Kong-Macao youth entrepreneurship and employment bases such as the Hong Kong-Macao youth innovation and entrepreneurial base in Dongguan Eco-Industrial Park at Songshan Lake; assist municipalities such as Dongguan in transforming and upgrading traditional industries; support Dongguan and Hong Kong to jointly develop and build the Dongguan Binhaiwan Bay Area, and gather high-end manufacturing Headquarters, develop modern service industry, and build a strategic emerging industry R&D base.

In August 2019, China's central government issued the Opinions on Supporting Shenzhen in Building a Pioneering Demonstration Zone for Socialism with Chinese Characteristics to further amplify Shenzhen's positive economic externalities. This would drive the coordinated development of each of the surrounding areas. In recent years, Dongguan has welcomed industries that have spilled over from Shenzhen, resulting in the layout of "R&D in Shenzhen and Manufacturing in Dongguan". This regional integration is expected to speed up in the future.

At the same time, Dongguan has also become one of the major cities along the Guangzhou-Shenzhen Science and Technology Innovation Corridor and the only pilot zone in Guangdong Province that focuses on the supply-side structural reform and innovation in manufacturing. By leveraging the development of the pioneering demonstration zone in Shenzhen, Dongguan could design their overall planning to deepen reform, accelerate the shift of functions and push industrial transformation to an even higher level.

Dongguan recently issued the Implementation Opinions of the People's Government of Dongguan City on Implementing the Development Strategy of Guangdong-Hong Kong-Macao Greater Bay Area to Build a National Innovative City<sup>17</sup> (hereinafter referred to as Implementation Opinions). The report detailed short and long-term goals for the development of Dongguan in the Greater Bay Area:

- Short-term goals - By 2020, a regional innovation system with Dongguan characteristics will be generally formed, which covers original innovation, technological innovation, transformation of achievements and enterprise cultivation. Dongguan will be developed into a national innovative city with significant influence in the Greater Bay Area and playing a prominent role on supporting and guiding economic and social development, on account of its greatly enhanced innovation capability, increasingly dynamic innovation entities, substantially improved innovation efficiency, and significantly optimised innovation environment.
- Long-term goals - By 2025, the total investment in R&D will account for more than 3.0% of GDP. The regional innovation system will be further improved and innovation capabilities will also be enhanced greatly. Dongguan will attract a number of international leading talent, it will also gather a groups of high-level laboratories and R&D institutions, as well as high-growth innovative enterprises. It will be knowledgeable in disruptive core technologies and build a demonstration zone for the transformation of scientific and technological achievements in the Greater Bay Area. As a result, it will become a globally influential innovative city.



#### Short and Long-term Goals for Development of Dongguan in the Greater Bay Area

Year	Proportion of the total investment in R&D to GDP	Number of national high-tech enterprises	Number of R&D personnel per 10,000 employees	Number of invention patents per 10,000 people
2018	2.55%	5798	130	26.2
By 2020	2.8%	7000	150	35

Source: The official website of the People's Government of Dongguan City



#### PwC's point of view:

- **Public policies:** As a key city in the GBA, Dongguan will be affected by the other core cities in terms of the quality and level of development. Dongguan should remain focused on the connection with the other four core cities, i.e. Shenzhen, Guangzhou, Hong Kong and Macao. It will be important for it to collaborate and seek mutual benefits and synergies. In addition, it should further explore the differences with other key cities to build its own core advantages.
- **Business implications:** Dongguan could strengthen its cooperation with Hong Kong and Macao in the modern service industry. For example, it could attract Hong Kong's modern service industry to Dongguan, and use the advantages of Hong Kong and Macao in finance, insurance, testing, law, auditing and other services to create more high-quality cooperation projects. As a result, this will promote in-depth cooperation between modern service and production based service industries.



## V. Preferential policies

### Encouragement and support for enterprises

#### Innovative enterprises

The first batch of eleven supporting policies announced by the People's Government of Dongguan City as proposed by the Implementation Opinions, by 2020 Dongguan will develop into a national innovative city with significant influence in the Greater Bay Area. It will play a prominent role in supporting and guiding economic and social development. By 2025 it will have built up a demonstration zone for the transformation of scientific and technological achievements in the Greater Bay Area, and become a globally influential innovative city.

- Under the Implementation Opinions, by 2020 Dongguan will have identified 100 innovative enterprises. According to the Administrative Measures of Dongguan for the Cultivation and Identification of Innovative Enterprises<sup>18</sup>, 1) If an enterprise is identified as a municipal-level innovative enterprise, it will be granted a one-time reward at 50% of the increment (compared with the preceding year) of the local share of tax revenues from the enterprise income tax paid in the previous year. The rewards for an innovative leading enterprise and an innovative cultivation enterprise shall not be more than RMB 1 million and RMB 500,000 respectively. 2) If an innovative enterprise obtains loan support from commercial banks and other financial institutions, it will be eligible for interest subsidies at the rate of 50% of the actual loan interest paid, with the valid term of up to 2 years; and the interest subsidies for an innovative leading enterprise and an innovative cultivation enterprise shall not exceed RMB 1 million and RMB 500,000 respectively.
- As required by the Implementation Measures of Dongguan for Cultivating Innovative Enterprises, a supporting policy for building a national innovative city, with the support for related enterprises has been increased. If an enterprise is assessed as one of the top 100 innovative enterprises and thus receives dedicated funding for national science and technology projects, it will obtain supporting funds of up to RMB 10 million per year.

### New R&D institutions

In addition to the cultivation and development of innovative enterprises, Dongguan will also propel the new R&D institutions to raise quality and efficiency. As per the revised Implementation Measures of Dongguan for Promoting the Innovative R&D Institutions to Raise Quality and Returns of Development<sup>19</sup>, Dongguan Finance Bureau will grant a one-time financial award of no more than RMB 500,000 to the organisations that have been identified as municipal-level new R&D institutions to fund their R&D and operations. (New R&D institutions that source more than 50% of their total funds from the state will not be eligible for such subsidies for the time being.)

### Enterprises in strategic emerging industries

According to the 13th Five-Year Plan for the Development of Strategic Emerging Industries in Dongguan<sup>20</sup>, available state capital investment would be made to promote strategic emerging industries. In the first three years, a "special fund for strategic emerging industries", with no less than RMB 1.5 billion, would be established to develop three major industries, involving a new generation of information technology, high-end equipment manufacturing and new energy vehicles; and in the following two years more support would be given to other emerging industries, such as biotechnology, energy conservation and environmental protection, new materials, additive manufacturing (3D printing), etc. With priorities put on key links in the industrial chain and industrial service system, support would be provided to the research and development of core technologies, industrial base construction and cultivation of major projects through loan discounts, incentives for the first set of major technical equipment, subsidies as rewards, subsidy (guidance) funds, and premium subsidies. Incentive tax policies would be implemented to encourage independent innovation of enterprises and maximise the leverage of taxation. Innovative financing models such as private-public partnership (PPP) would be introduced to channel social capital in the development of strategic emerging industries. Financial support for high-tech enterprises would come to fruition based



on the list of inclusive tax policies in the “Doubling Plan”<sup>21</sup>. Industrial funds for mergers and acquisitions (“M&As”), especially sub-funds for M&A in strategic emerging segments, would be established to assist enterprises in the “Doubling Plan” to grow bigger and stronger via M&As or partnerships and collaborations in the industrial chain.

### Preferential policies for investment promotion

#### Supportive policies for headquarters enterprises

In the second half of 2018, Dongguan introduced a series of incentive policies for investment promotion by issuing the Several Opinions on Promoting the Economic Development of Headquarters Enterprises<sup>22</sup> (hereinafter referred to as the Opinions). In March 2019, the Detailed Rules for the Implementation of Enterprise Certification and Supportive Policies for Headquarters Enterprises in Dongguan (hereinafter referred to as the Rules) was issued, pushing to attract headquarters enterprises in other cities to move in. According to the Rules, a comprehensive headquarters enterprise that has newly settled in Dongguan, upon certification, can obtain a reward ranging from RMB 2 million to RMB 100 million if, among others, its annual income from main operations and local financial contribution meet corresponding conditions. A functional headquarters enterprise newly

settled in Dongguan, upon certification, can obtain a one-time reward ranging from RMB 1 million to RMB 50 million if, among others, its annual income from main operations and local financial contribution meet corresponding conditions.

In addition to monetary rewards, the Rules also clearly points out that the headquarters enterprises will get support from the Dongguan government in terms of construction land, office occupancy, talent support, development financing, etc. For example, in terms of talent support, subsidies will be provided to senior management who do not have their own homes in the sites where the headquarters enterprises are located. House-purchase subsidies are provided at 50% of the purchase prices of the houses, with a higher limit per person at RMB 2 million, and the total number of applicants per enterprise shall not exceed 10. The cap on rent subsidies is RMB 3,000/month per person, and the longest subsidised period is up to 3 years.

#### Tax incentives for newly registered enterprises

According to the official website of the Investment Promotion Bureau of Dongguan City, newly registered enterprises in Dongguan are entitled to multiple tax incentives, and could save up to 60% on tax<sup>23</sup>.

Type of tax payable	Program of replacing business tax with VAT	Enterprise income tax	Value-added tax (“VAT”)
Retained earnings for the park	50%	25%	35%
% of subsidisation	Maximum of 70% for enterprises with total actual tax payment less than RMB 50 million (exclusive) Maximum of 80% for enterprises with total actual tax payment more than RMB 50 million (inclusive) Enterprises are rewarded with 30% of the individual income taxes paid by senior executives of the enterprises		



### **Tax incentives regarding Individual Income Tax**

According to the Notice on the Preferential Policies Regarding Individual Income Tax in the Guangdong-Hong Kong-Macao Greater Bay Area (Cai Shui [2019] No. 31), during the period from 1 January 2019 to 31 December 2023, overseas high-end talents and urgently-needed talent (including those from Hong Kong, Macao and Taiwan) working in the Greater Bay Area (i.e., Guangzhou City, Shenzhen City, Zhuhai City (including Hengqin New Area), Foshan City, Huizhou City, Dongguan City, Zhongshan City, Jiangmen City and Zhaoqing City of Guangdong Province) are provided with subsidies at the differences between the individual income taxes levied in mainland China and those would otherwise be collected in Hong Kong. The subsidies are exempt from individual income tax. The identification and subsidy methods for overseas top-tier talent and urgently-needed talents shall be implemented in accordance with relevant regulations of Shenzhen City of Guangdong Province.

In order to implement the preferential policies regarding individual income tax in the Guangdong-Hong Kong-Macao Greater Bay Area, the government of Dongguan City drafted the Interim Measures for the Identification of Overseas High-end Talents and Urgently-needed Talents and Financial Subsidies for Individual Income Tax in Dongguan City (Consultation Draft) (referred to as Measures). It sought advice from the public from 23 July 2019 to 5 August 2019. The Measures specifies the detailed requirements to be identified as an overseas top-tier talent or urgently-needed talent. It stipulates that an overseas top-tier talent or urgently-needed talent working within the administrative scope of Dongguan City will be subsidised by the Dongguan government for the excess if the individual income tax he/or she paid in Dongguan City exceeded 15% of the taxable income. These subsidies would also be exempt from individual income tax.

### **Special talent preferential support**

According to the Implementation Measures for Special Policies for Special Talents in Dongguan City (Dong Fu [2015] No. 110), from 1 January 2016 to 31 December 2020, various types of funds provided for the identified special talents in Dongguan are outlined to include:

- Research support fund. State-level talents will receive the same amount or up to twice as much from the municipal finance department as from state-level subsidies. Those who move in from other cities will receive an amount of support fund from the municipal finance department equivalent to 50% to 100% of that from state-level subsidies. Provincial-level talents will receive an amount of support fund from the municipal finance department equivalent to 50% to 100% of that from provincial-level subsidies.
- Entrepreneurship support and incentives. For innovative scientific research teams who moved in from other cities and have initiated specific research projects, a one-time project fund of RMB 5 million to RMB 10 million will be provided as appropriate. This is a one-time incentive, and will not be higher than the amount of the project fund. It will be provided according to the evaluation of the project. For leading talents in terms of innovation and entrepreneurship who have initiated a project in the city, a start-up capital support fund for innovation and entrepreneurship of RMB 1 million to RMB 2 million will be provided. After a 2 year implementation, the leading talents will be awarded an innovation and entrepreneurship incentive of RMB 1 million to RMB 3 million according to the comprehensive evaluation.
- Entrepreneurship support. A loan discount is provided by the municipal finance department at a proportion of up to 70% of the interest actually paid during the loan period, and the discount period should not be longer than two years, with a yearly maximum of RMB 1 million per enterprise. For rent subsidies, the subsidised area of each enterprise shall not exceed 100 square metres, and the monthly subsidy per square metre shall not exceed RMB 30, with a subsidy period of up to 2 years.
- Other preferential treatment. Support is also provided to special talent as deemed appropriate in terms of residence and exit-entry administration, household registration, housing, medical care, social security, taxation, customs clearance, spouse residency, children's schooling, salary, etc.



PwC's point of view:

- **Public policies:** Public policies should be established to further improve the business environment, promote investments in Dongguan, Hong Kong and Macao, and facilitate the flow of talent. It should also encourage the free flow of key elements in services and trade, with the goal to create more favourable conditions for investments, and further enhance the internationalisation of Dongguan.
- **Business implications:** Enterprises should take advantage of various tax incentive policies and other preferential measures. They should work out a plan in advance, and further enhance the ability of cost control. Enterprises should keep a close eye on the latest policies when doing business and conducting tax planning, to avoid risks where possible.



## To develop Dongguan into a dynamic Greater Bay Area city

Albert Cheung, PwC China's Greater Bay Area Taskforce Dongguan Customer Relationship Partner spoke to Chen Dongcheng, Deputy Secretary of Dongguan Municipal Government, on Dongguan's role in the GBA and the challenges the city faces. Below are some extracts from the conversation.

With the unprecedented opportunities brought to Dongguan by the “overlapping effect of three key development zones”, the city will be able to develop progressively in a favourable environment in the Greater Bay Area (GBA) and the country as a whole.

Despite the escalating China-US trade tensions and economic downturn, Dongguan has maintained steady economic growth in a generally stable environment. In the next two to three years, Dongguan is expected to achieve the ‘Trillion Club’ GDP target.

**Albert Cheung (abbreviated as ‘Cheung’ hereafter):** The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (Outline Development Plan) sets a great development direction for Dongguan. How will Dongguan leverage its competitive advantages?

Chen Dongcheng (abbreviated as ‘Chen’ hereafter): As an important node city defined by the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, Dongguan is stepping up as the advanced manufacturing centre in the GBA. The city is also developing as the national demonstration zone for the transfer and transformation of scientific and technology, and pilot zone for industry collaboration. Dongguan is also developing as a high-quality, low-cost, modern eco-city, with the goal to facilitate cooperation with other cities in the GBA.

**Cheung:** The strategic positioning of Shenzhen is highlighted in the national policy introduced in July i.e. “China to build Shenzhen into a socialist demonstration area”. Considering the high level of industry integration between Dongguan and Shenzhen, what would be the impact on Dongguan's own strategic development as a result?

Chen: Supporting Shenzhen in its development into a socialist demonstration area is a favourable strategy not only for Shenzhen, but also for Dongguan and the GBA as a whole. We are examining the policy implementation options; defining the goals, ideas and initiatives for Dongguan to provide support and services for the construction of this pioneering demonstration zone. We will leverage on Dongguan's capabilities to serve the needs of Shenzhen, and that would help promote deeper integration and cooperation between the two cities.

**Cheung:** Dongguan is building an innovative experimental zone to reform the supply-side of the manufacturing industry in Guangdong. What will be the key development measures that the city will adopt?

Chen: Dongguan is the only city in Guangdong Province to construct innovation experimental areas on a city-wide basis. We will focus on solving two major problems: the serious shortage of industry development opportunities, and the low level synergy between traditional and emerging industries. We will carry out reform of the supply-side of the manufacturing industry such as land, technology, capital and talent, and seek full support from senior government officials to get the best results.

**Cheung:** Talents and regional economic vitality are inter-related. In recent years, the population of Dongguan has increased, with an inflow of ten thousand people each year. What is the estimated population size of Dongguan in the next ten years?

Chen: The public is very optimistic about Dongguan's development thanks to the robust drivers of the strategic economic policies. According to our recent population development plan, it is estimated that by 2030, the permanent resident population in Dongguan will reach 10.2 million and it will become the third largest mega-city with a population of over 10 million, after Guangzhou and Shenzhen.

**Cheung:** According to the Outline Development Plan, Shenzhen and Guangdong will be the core cities to develop the most influential and competitive world-class advanced manufacturing hub along the Zhujiang East Coast. How will Dongguan further implement innovation-driven strategies to drive the development of middle to high-end manufacturing?

**Chen:** China's first Spallation Neutron Source, which is also the fourth one in the world, is located in Dongguan. Songshan Lake Material Laboratory is also established in Dongguan, and many crucial materials research institutions are expected to be built up in Dongguan in the future. We are now speeding up the planning and promotion of the Light Source Research and Test Platform Project, which will form a cluster of devices together with the Spallation Neutron Source, increasing the synergy of the major scientific facilities in the Neutron Science City. We also plan to work with well-known universities from Hong Kong to co-build campuses in Dongguan and establish universities in the GBA, to strengthen the intellectual support for innovation.

**Cheung:** The Outline Development Plan also supports Dongguan and Hong Kong to cooperate and develop Dongguan Binhaiwan Bay Area, where high-end manufacturing headquarters, and modern services corporations will be located. What are the development opportunities for the modern service industry?

**Chen:** To better facilitate the development of the modern service industry, Dongguan is going to build four high standard platforms including Songshan Lake, Shuixiang New Town and Yinping Innovation Zone. Recently we organised a special commencement activity in the Binhaiwan Bay Area for the third batch of major projects to promote the construction of GBA. The total investment of the first two batches, which comprise 57 projects, totally RMB 92.5 billion. Out of the 57 projects, 36 covered in the third batch totalled an investment amount of RMB 111.84 billion, including Uniscom Chip and Cloud Industrial City, O-film Photoelectric Imaging and Zhengzhong Innovation Complex. This will definitely drive the development of the Binhaiwan Bay Area, supporting and leading Dongguan to participate in the construction of the GBA. In addition, we will promote the planning and construction of the Dongguan International Business District, which is designed to accommodate the modern service industry and corporate headquarters, so as to create a city-level CBD, urban front hall and

the new driving force for the city's future economic development. In the Southeast Linshen District, we will also designate some areas for pilot demonstrations benchmarking against Shenzhen Quality, Shenzhen Model, Shenzhen Capital and Shenzhen Services, with an aim to create an important development zone with full integration between Shenzhen and Dongguan.

**Cheung:** Though global trade is getting more complicated, the total import and export of Dongguan still recorded a growth of more than 10% in 2018. In the first half of 2019, it is observed that the growth has slowed down. What is the potential impact to the economy and corporations? What kind of remedial actions will be taken by the government to support the corporations?

**Chen:** Dongguan managed to upkeep a steady growth momentum in spite of the global trade uncertainty and economic downturn. In the first half of the year, Dongguan's GDP reached RMB 421.59 billion, an increase of 6.9% which is the highest among all cities in China. The total import and export showed an outstanding performance, with a growth of 6.8%, out of which cross-border e-commerce import and export increased by 133%, ranking top in the country in terms of the total trade amount. Investment in fixed asset increased by 15.7% which is the highest growth over the same period in the past five years.

The total retail sales of consumer goods increased by 8.5%, ranking third in Guangdong Province. These all adequately show the resilience and potential of Dongguan's economic development. We are confident that in the next two to three years, Dongguan will successfully achieve the 'Trillion Club' GDP target.

During the conversation, PwC's GBA Taskforce shared the team's work and efforts in driving the development of Dongguan and the GBA. Dongguan city leaders showed their appreciation and recognition of PwC's long-standing commitment to serving and promoting Dongguan, and providing professional services to the city's enterprises e.g. advisory, assurance and tax, especially to those under the 'Multiplying Scheme'. PwC and Dongguan city leaders will continue to work together to build Dongguan into a 'Dynamic Bay Area City, especially in the areas of importing high-quality resources, connecting financing platforms, and building an international cooperation platform to provide more support and assistance to Dongguan.



## Facilitation and promotion of economic development in Dongguan

Recently, Albert Cheung also spoke to Zhang Li Min, Intellectual Property Department Manager at Lung Cheong International Holdings Limited, about the favourable policies and benefits enjoyed by enterprises in Dongguan thanks to the development of GBA, as well as new opportunities for enterprises in Hong Kong and Macao as a result of the development in Dongguan.

Zhang Li Min states that Dongguan is equipped with complete industrial supporting facilities and infrastructure as well as a favourable business climate, creating an excellent entrepreneurial development environment for enterprises. The development in Dongguan will help broaden the modern service market in Hong Kong and Macao. Industrial integration should also be further accelerated to propel the development of the GBA. The following is an excerpt from the interview:

**Cheung: What do you think of the opportunities brought about by the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area to the development in Dongguan? What new opportunities are provided for the development of enterprises?**

Zhang Li Min (abbreviated as 'Zhang' hereafter): Undoubtedly, the release of the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area presents a significant benefit and strategic opportunity for Dongguan. Located in the core area of the GBA, Dongguan is adjacent to Hong Kong, Guangzhou and Shenzhen, and that will bring spillover effect across the region. By virtue of its strong manufacturing capabilities, sound industrial chain and efficient services, Dongguan definitely will play a bigger role.

Enterprises, on the one hand, should take advantage of the industrial mass in Dongguan to build high-quality brands, which in turn, will promote the improvement and upgrade of the industrial chain. This will also transform production automation and intelligent technologies to improve

technical expertise, production efficiency and product competitiveness. All this will further elevate Dongguan's status as an important manufacturing centre. From the perspective of attracting talents, the construction of GBA has created preferential tax and policies for enterprises in Dongguan to attract talents, providing more convenience and more appeal to attract foreign talents from Hong Kong and Macao to obtain employment in Dongguan.

**Cheung: Among all the cities in the GBA, in your opinion, what are the significant advantages of Dongguan? How can Hong Kong-funded enterprises benefit?**

Zhang: With extremely extensive experience in manufacturing, Dongguan has the complete industrial chain and supporting facilities, as well as industrial development platforms such as the Songshan Lake National Innovation Demonstration Zone, the Binhaiwan Bay Area, and the Water Town Featured Development Economic Zone. For Hong Kong-funded enterprises, the GBA is conducive to improving the convenience of customs clearance for export and the flow of people and goods, reducing transportation costs, and further optimising the business climate. Meanwhile, the GBA also facilitates Hong Kong and Macao residents to invest and start a business in Dongguan, provides more opportunities for their development, and more convenience and preferential tax policies for them in Mainland China.

**Cheung: The Outline Development Plan pointed out that it is necessary to build a world-class advanced manufacturing industrial cluster with a global influence and competitiveness on the east bank of the Zhujiang River with Shenzhen and Dongguan as the core. How do you think Dongguan should stride towards the middle and high-end of the industrial chain?**

Zhang: Most of the foreign-funded enterprises in Dongguan are made up of companies processing incoming materials, while private enterprises support these foreign-funded enterprises by providing product-related facilities and services. Starting from the low-end of the industrial chain, such enterprises gradually master the knowledge of technology, management, brand and marketing in the course of survival practice throughout the 40-years China's economic reforms, enabling Dongguan to become a manufacturing centre with certain influence. As the international industrial chain changes and international trade competition intensifies, enterprises in Dongguan will undoubtedly stride towards the middle and high-end of the industrial chain for survival and development. Technical expertise will improve by introducing a group of innovative teams and leading talents, so as to provide technical support for product upgrades. Dongguan should make good use of financial funds available and leverage on private capital investment to further tap into the existing research platforms, innovation teams and developed towns. In addition, support should be given to industry leaders to create their proprietary brands, to make the best of the domestic and foreign markets to develop competitive industries in Dongguan and cultivate new high-tech industries.

**Cheung: What opportunities will the development of Dongguan bring to enterprises in Hong Kong and Macao? What are your suggestions for those enterprises investing in Dongguan?**

Zhang: Currently, Dongguan relies highly on foreign trade, yet stays at a relatively low internationalisation level. The development of Dongguan requires the support of technology services and professional financial services, which are precisely the competitive industries in Hong Kong and Macao. The development of Dongguan broadens the modern service market in Hong Kong and Macao and the mutual integration will certainly promote the development of the GBA. The main advantages for enterprises investing in Dongguan lies in the fact that the Dongguan government supports the development of the manufacturing industry. The city is a haven for investment and entrepreneurship, with a favourable business climate, complete industrial supporting facilities, skilled technical talents as well as convenient transportation and infrastructure.

**Cheung: What are your suggestions for Dongguan and other cities in the Greater Bay Area to further improve the convenience in investment and personnel exchange and optimise the business climate?**

Zhang: Dongguan is expected to improve its customs clearance to elevate the convenience of personnel and goods exchange. The city is expected to create a globally competitive business climate and further expand the mutual investment of enterprises between Mainland China and Hong Kong and Macao to encourage Hong Kong and Macao residents to invest, start a business and obtain employment in Guangdong. Meanwhile, it will provide more development opportunities for Hong Kong and Macao residents and more convenience for them in Mainland China, with the application of 'Hong Kong taxation for Hong Kong people' policy. In addition, it is recommended that Dongguan further improves its market economic environment to make it more competitive and equitable, attach importance to the establishment of market standards, and to the protection of intellectual properties.

**Cheung: In your opinion, what is the future market size of modern services in Dongguan, especially the professional services? What are the opportunities for professional services providers in Hong Kong and Macao?**

Zhang: For now, the service sector in Dongguan only accounts for 52.3%, with an enormous potential for development. Professional services providers in Hong Kong and Macao have extensive experience and comparative advantages. Professional services include professional medical services, professional quality monitoring and professional financial services. In terms of professional medical services, it is imperative to rely on the advantages of Hong Kong and Macao to improve any weak links in the medical services in the GBA, introduce international medical teams, and build a national professional medical service area. In terms of professional quality monitoring, it is expected to develop and introduce a set of international certification system based on the existing international development edges in Guangdong to satisfy residents' demand for high-quality products. Finally, in terms of professional financial services, efforts will be made to vigorously support and develop high-end featured finance, reduce financing costs of high-quality enterprises, providing a much-needed boost to the economy.

# Conclusion

Located in the heart of the Guangzhou-Shenzhen-Hong Kong-Macao Economic Corridor, Dongguan encompasses many unique geographical and economic advantages. In the wake of the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the building of “Demonstration Pilot Zone” in Shenzhen, Dongguan should take advantage of this opportunity window for strategic development. Over the next three years, it should aim to make itself an advanced manufacturing centre and an innovative city that is ideal for both living and working.

**“Innovation-driven” development, innovation clusters.** Innovation is a key driver for Dongguan to evolve from the title of “made in Dongguan” to “intelligent manufacturing in Dongguan”. In alignment with key projects, including the Songshan Lake Material Laboratory and Neutron Science City, Dongguan is actively building its innovative advantages and creating sci-tech innovation platforms and sci-tech infrastructure clusters to drive and foster innovative strengths to a new level.

Apart from the competitive advantages on an economic scale, by opening up the business environment, and with the application of achievements and industrial support, more innovative clusters will be needed to accelerate talent attraction and the accumulation of capital in Dongguan. This will help it to transform into a more innovative city. Enterprises should also seize opportunities to develop high-end industrial chains and actively promote the transformation and commercialisation of their research results.

The future layout and development of emerging industries should closely follow the 5G commercialisation trend. This will actively foster deeper integration of IoT, big data, artificial intelligence and the real economy. It will also promote the incubation and transformation of global innovative sci-tech achievements in Dongguan. China's vast domestic market will also provide fertile ground to facilitate the commercialisation of the scientific and technological achievements.

**Promoting the integration and co-existence of advanced manufacturing and modern service industries.** The tenth session held by the Commission for Comprehensively Deepening Reform of the CPC Central Committee in September 2019 reviewed and approved the Implementation Opinions on Promoting the Deep Integrated Development of Advanced Manufacturing and Modern Service Industries. The report formulates master plans for the integrated development of advanced manufacturing and modern service industries. It points out that promoting the

integrated development of advanced manufacturing and modern service industries is an important pathway to enhance the core competitiveness of manufacturing industry, cultivate modern industrial systems, and achieve high-quality development.

As the service industry accounts for more than half of Dongguan's economy, promoting the integration of advanced manufacturing and modern service industries is crucial for Dongguan long-term exploration for structural upgrading and transformation. It should help manufacturing enterprises to promote innovations in value chain business models, raising the added value and competitiveness of the manufacturing industry, and actively making Dongguan a demonstration zone for the integrated development of advanced manufacturing and modern service industries.

It has become an international trend for manufacturing enterprises to grow increasingly “intelligent and service-oriented”. Powerful manufacturing enterprises should strive to transform toward “manufacturing and service”, and shake off low value-add businesses of the traditional manufacturing industry. It should look to expanding their businesses to both ends of the industry chain, such as R&D and design and marketing services. This can be achieved by working and collaborating with professional service companies.

**Win-win cooperation, interconnected development.** Dongguan benefits from a booming Shenzhen and other neighbouring core cities. It complements the region with its competitive advantages as the “Storefront to Hong Kong & Macao, Plant at Pearl River Delta” partnership. With a strong development momentum, Shenzhen is committed to creating an innovative and creative city with international influence and enhanced radiation effect. Hong Kong's advantages in the modern service industry, and Dongguan complement each other well. The collaboration would be a win-win. Dongguan should focus on how to cooperate with the four core cities, namely, Shenzhen, Guangzhou, Hong Kong and Macao, to promote regional coordinated development.

Dongguan started off as “processing & assembling given materials and samples for trade purposes”. Dongguan has always been the pioneer when it comes to reform and opening its doors. This globally renowned “world factory” is now undergoing significant changes, from “made in China” to “intelligent manufacturing in China”. It is setting a good example of high quality development for other cities in China's boosting economy.

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