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Final Report

Market Distortions in the Chinese Architectural Ceramics Industry



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Non-standard Abbreviations Used in the Text:

| | |
|-----------|---|
| ABC | Agricultural Bank of China |
| BOC | Bank of China |
| BOCOM | Bank of Communications |
| BRI | Belt and Road Initiative |
| CAGR | Compound Annual Growth Rate |
| CBCSA | China Building Ceramic and Sanitaryware Association |
| CCB | China Construction Bank |
| CDB | China Development Bank |
| CFDP | China Federation for Disabled Persons |
| EIT | Enterprise Income Tax |
| EXIM Bank | Export-Import Bank of China |
| FIE | Foreign-invested Enterprise |
| FYP | Five Year Plan/Programme |
| GHG | Greenhouse gas emissions |
| HNTE | High and New Technology Enterprise |
| ICBC | Industrial and Commercial Bank of China |
| PDB | Shanghai Pudong Development Bank |
| PPP | Public private partnership |
| SEI | Strategic Emerging Industries |
| SME | Small and medium-sized enterprises |
| SOCB | State-owned commercial bank |
| SOE | State-Owned Enterprise |
| SSSR | Supply Side Structural Reforms |
| VAT | Value added Tax |

Abbreviations of People’s Government and Communist Party Institutions Mentioned in the Text:

| | |
|--------|---|
| CBIRC | China Banking and Insurance Regulatory Commission |
| CPC | Communist Party of China |
| CPCCC | Communist Party of China Central Committee |
| CPPCC | China People’s Consultative Conference |
| GACC | General Administration of Customs |
| GOC | Government of China |
| MCA | Ministry of Civil Affairs |
| MEE | Ministry of Ecology and Environment |
| MIIT | Ministry of Industry and Information Technology |
| MOF | Ministry of Finance |
| MOFCOM | Ministry of Commerce |
| MOST | Ministry of Science and Technology |
| NBS | National Bureau of Statistics |
| NDRC | National Development and Reform Commission |
| NEA | National Energy Administration |
| PBoC | People’s Bank of China |
| SAMR | State Administration for Market Regulation |
| SAT | State Administration of Taxation |
| SC | State Council |

Annual Average Exchange Rates (equivalent of EUR 1 in RMB and USD)

| | RMB | USD |
|------|--------|--------|
| 2011 | 8.9960 | 1.3920 |
| 2012 | 8.1052 | 1.2848 |
| 2013 | 8.1646 | 1.3281 |
| 2014 | 8.1857 | 1.3285 |
| 2015 | 6.9733 | 1.1095 |
| 2016 | 7.3522 | 1.1069 |
| 2017 | 7.6290 | 1.1297 |
| 2018 | 7.8081 | 1.1810 |
| 2019 | 7.7355 | 1.1195 |
| 2020 | 7.8747 | 1.1422 |
| 2021 | 7.6282 | 1.1827 |

Source: ECB

Enterprises Reviewed for This Report

For convenience, this report uses abridged versions enterprise names

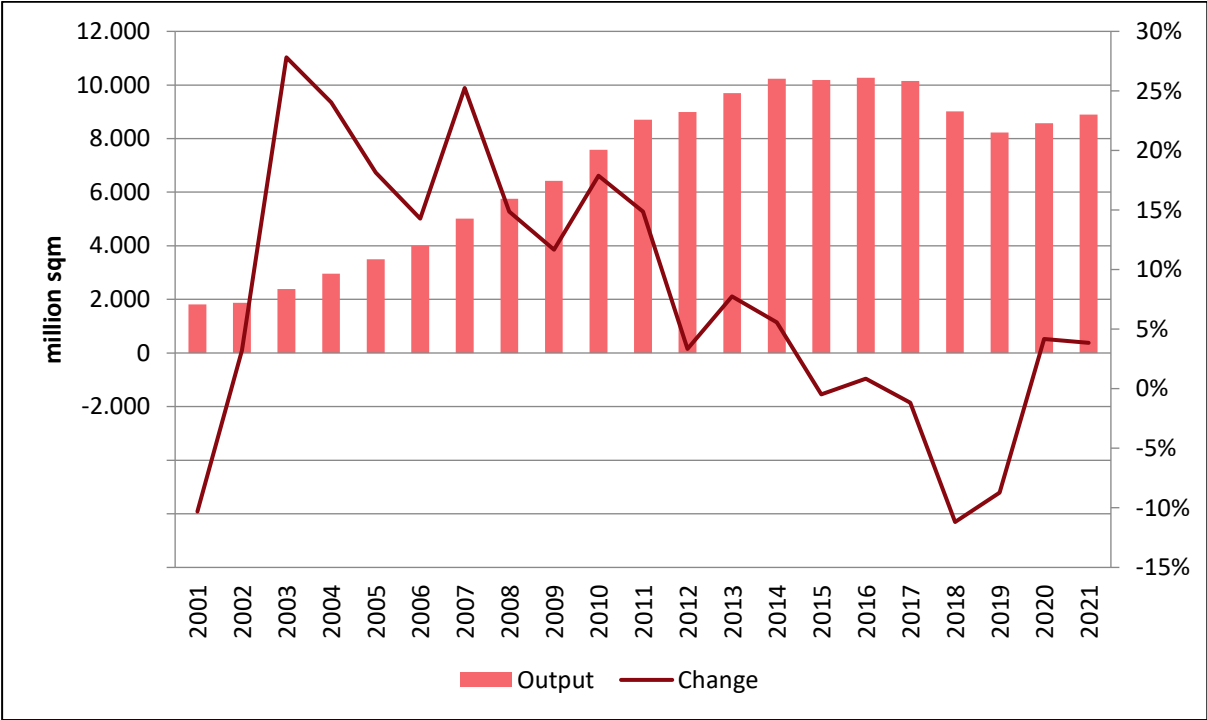
| Official Chinese | Official English | Abridged |
|------------------|---------------------------------------|----------|
| 帝欧家居股份有限公司 | D&O Home Collection Co., Ltd. | D&O |
| 上海悦心健康集团股份有限公司 | Everjoy Health Group Co., Ltd. | Everjoy |
| 广东东鹏控股股份有限公司 | Guangdong Dongpeng Holdings Co., Ltd. | Dongpeng |
| 广东四通集团股份有限公司 | Guangdong Sitong Group Co., Ltd. | Sitong |
| 惠达卫浴股份有限公司 | Huida Sanitary Ware Co., Ltd. | Huida |
| 蒙娜丽莎集团股份有限公司 | Monalisa Group Co., Ltd. | Monalisa |

1 INTRODUCTION

The production of ceramics and tiles thereof has a very long tradition in China, dating back many centuries. In terms of design, manufacture and application, the country has traditionally been a leading player in the world. Between 2002 and 2015, the Chinese tile industry experienced an episode of explosive growth, reflected across the full spectrum of performance indicators. Most importantly, final demand and production capacity have surged to record levels. One of the root causes dates back to the late 1990s when the Government of the People's Republic of China (GOC) initiated residential housing reforms that allowed households to obtain exclusive real estate usage rights. The (limited) liberalisation of the residential property sector that followed, created strong incentives for private property ownership.

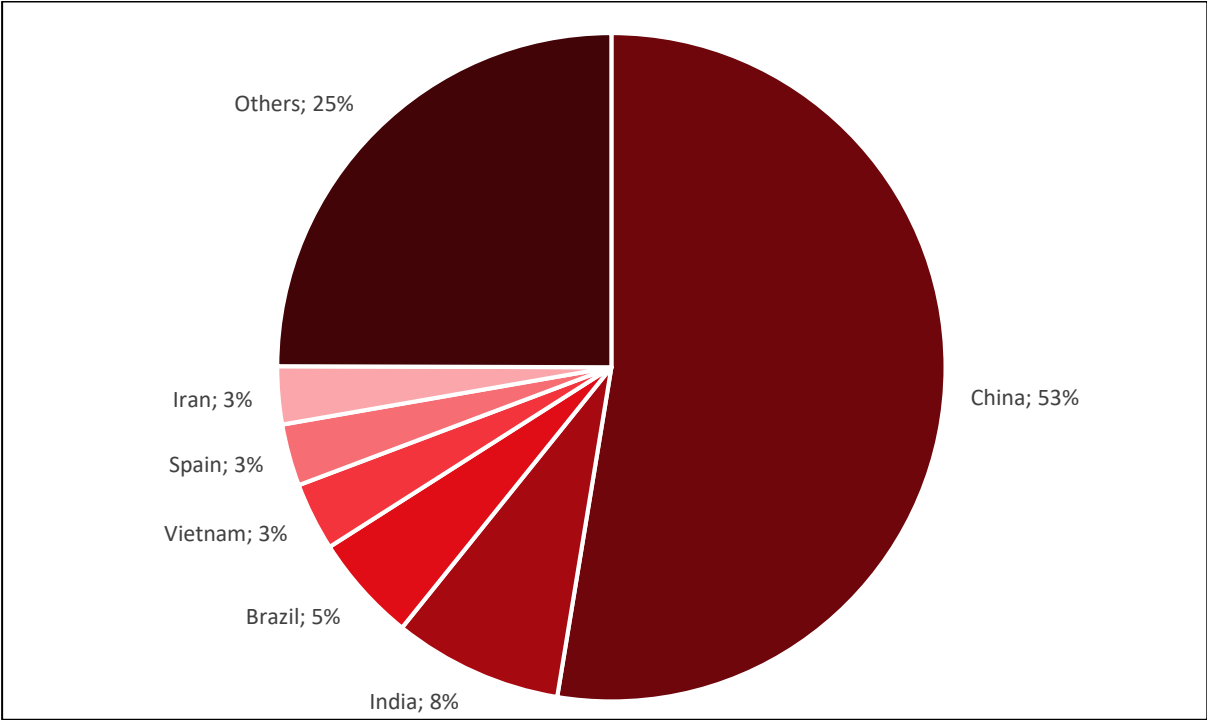
In step with the formation of large-scale manufacturing hubs, a massive wave of rural-urban migration has created the demand for hundreds of millions of new residential units in cities. In addition, rising incomes and living standards have led buyers to become more demanding and sophisticated. At the time of writing, urbanisation in China had been ongoing for four decades and showed no signs of abating. The corresponding expansion of public infrastructure, commercial property etc. has compounded the monumental construction activity and propelled tile demand to record levels.

Figure 1: China Architectural Ceramics Production Statistics



Source: China Economic Intelligence Net, Industry Information Net, MECS

Figure 2: Global Output Share of Ceramic Tiles



Source: Ceramics China.

Table 1: Architectural Ceramics Exports

| Year | Export volume in 1000 m ² | Change YoY | Export value in million USD | Change YoY |
|------|--------------------------------------|------------|-----------------------------|------------|
| 2001 | 53,120 | 118.96% | 155.0 | 101.30% |
| 2002 | 124,860 | 135.05% | 325.0 | 109.68% |
| 2003 | 206,470 | 65.36% | 522.0 | 60.62% |
| 2004 | 317,180 | 53.62% | 840.0 | 60.92% |
| 2005 | 420,730 | 32.65% | 1205.0 | 43.45% |
| 2006 | 543,730 | 29.23% | 1709.0 | 41.83% |
| 2007 | 590,070 | 8.52% | 2131.0 | 24.69% |
| 2008 | 670,900 | 13.70% | 2711.0 | 27.22% |
| 2009 | 685,470 | 2.17% | 2862.0 | 5.57% |
| 2010 | 867,200 | 26.51% | 3851.0 | 34.56% |
| 2011 | 1,015,280 | 17.08% | 4764.0 | 23.71% |
| 2012 | 1,086,210 | 6.99% | 6352.0 | 33.33% |
| 2013 | 1,147,780 | 5.67% | 7893.0 | 24.26% |
| 2014 | 1,128,100 | -1.71% | 7814.0 | -1.00% |
| 2015 | 1,139,000 | 0.97% | 8,325.0 | 6.54% |
| 2016 | 1,074,000 | -5.71% | 5,531.0 | -33.56% |
| 2017 | 908,000 | -15.46% | 4,426.0 | -19.98% |
| 2018 | 842,000 | -7.27% | 3,986.0 | -9.94% |
| 2019 | 770,000 | -8.55% | 4,535.0 | 13.77% |
| 2020 | 622,000 | -19.22% | 4,111.0 | -9.35% |

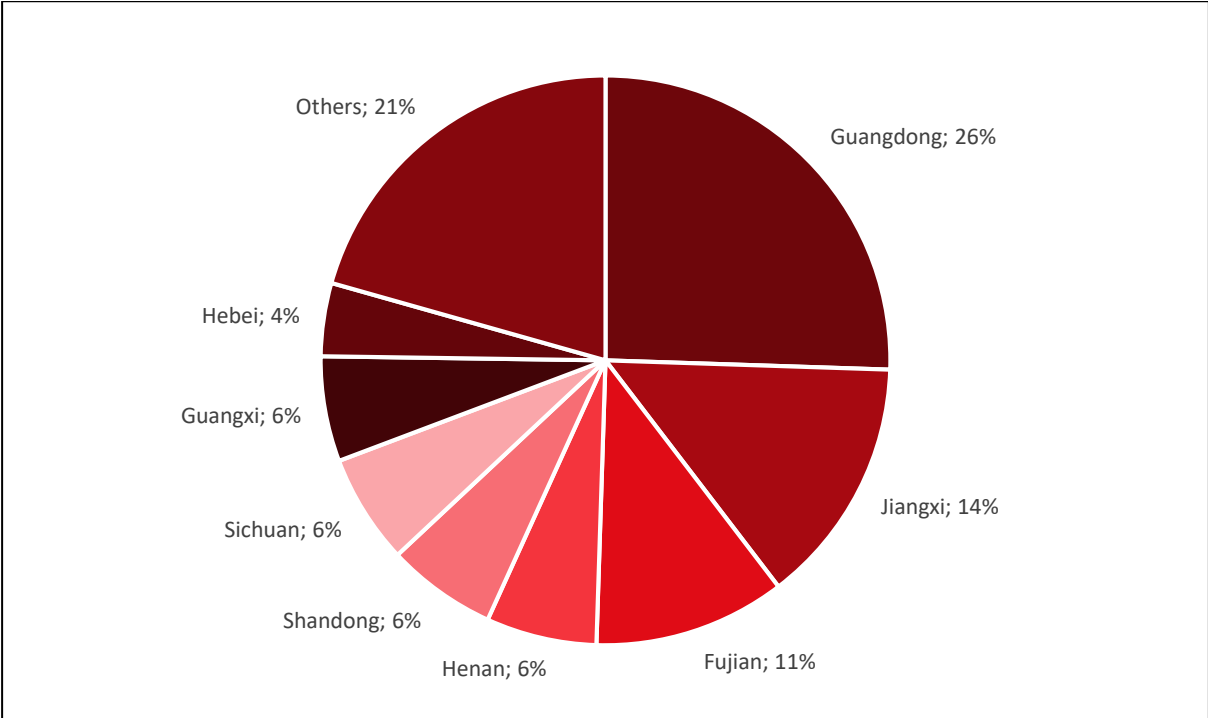
Source: China Customs Statistics

Table 2: Investments in Capacity Expansion Projects

| Time | Producer | Activity |
|--------------|------------------------|--|
| January 6th | Dongpeng | announced plans to invest RMB 5 billion in the construction of Jiangxi Fengcheng Smart Ceramics and Home Furnishing Industrial Park, including 9 intelligent slate production lines (Sohu 16.01.2021). |
| January 11th | Deer Tiles | announced plans for production expansion after the acquisition of Guangdong Jianxing Ceramics (China Daily Online 26.01.2021) |
| February 3rd | Guangdong Hongyu Group | signed an agreement with the Guangxi Teng County Government, planning to acquire usage rights to 170 hectares of land and invest RMB 2 |

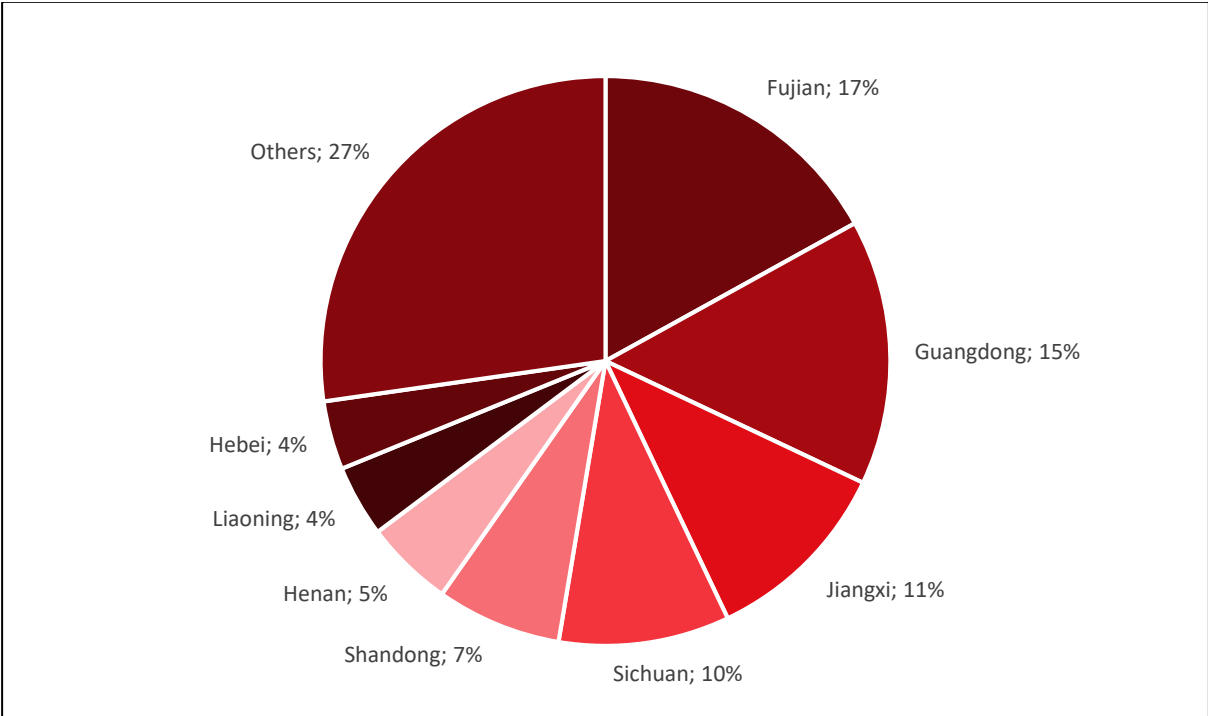
| Time | Producer | Activity |
|----------------|-----------------|---|
| | | billion to build 12 production lines (Ceramics China 03.02.2021). |
| February 23rd | D&O | announced plans to issue RMB 1.5 billion in convertible bonds to build 8 ceramic tile production lines with a design capacity of 42 million m ² per year (China Economic Net 21.10.2021) |
| March 5th | D&O | Invested RMB 50 million in Shanxi Huizi which plans to add 5 ceramic tile production lines in the next 3 years, with an estimated new production capacity of 55 million m ² per year (China Economic Net 21.10.2021). |
| June 19th | Wonderful Group | ignited no. 5 kiln of new 3mm porcelain stoneware production base (Sohu 21.06.2021) |
| September 10th | New Pearl Group | signed agreement with Yongchuan District (Chongqing Municipality) to build a fifth smart green production base. China's largest ceramics manufacturer by production capacity already operates plants in Foshan, Zhaoqing (both Guangdong Province), Gao'an (Jiangxi Province) and Xishui (Hubei Province) with 44 production lines that have a cumulated capacity of 220 million m ² per year. (CBMD 13.09.2021) |

Figure 3: Regional Distribution of Ceramic Tile Production Capacity



Source: Ceramics China.

Figure 4: Regional Distribution of Ceramic Tile Producers



Source: Ceramics China.

Table 3: Key facts about the building ceramics industry at the end of 2020

| Indicator | Value | Change (y-o-y) |
|---------------------------------------|--|----------------|
| Number of enterprises (*1) (#) | 2021: 1,161 | |
| Main business income (RMB) | 311.1 billion | +1.5% |
| Total profit (RMB) | 20.5 billion | +4.4% |
| Sales margin (%) | 6.6% | +0.18 %points |
| Loss-making enterprises (#) | 169 | +3 |
| Cumulative annual loss (RMB) | 1.1 billion | -7.9% |
| Net accounts receivable (RMB) | 25.3 billion | +39.4% |
| Finished product inventory (RMB) | 31.2 billion | +7.2% |
| Total liabilities (RMB) | 131.3 billion | +13.0% |
| Output (*2) (sqm) | 10.1 billion | +2% |
| Tiles lines (incl. slabs) (#) | 2021: 2,448 | |
| Tile capacity (mln sqm p.a.) | 2021: 12,364 | |
| Top10 production regions (by volume): | Fujian Province Guangdong Province Jiangxi Province Sichuan Province Shaanxi Province Guangxi Zhuang AR Shandong Province Liaoning Province Hubei Province Hunan Province | |
| Export quantity (sqm) | 622 million | |
| Export value (RMB) | 26.6 billion | |
| Average value per sqm exported (RMB) | 42.7 RMB | |
| Average value per kg exported (RMB) | 2.42 RMB | |

*1: Enterprises above designated size

*2: The headline number is distorted by double-counting by OEM. A 20% downward correction is suggested to arrive at a more accurate quantity

2 NATIONAL LEGAL AND REGULATORY ENVIRONMENT

Over the past five years, the central government has not (publicly) released any development plans, guidance catalogues or implementation policies specifically directed at the ceramics industry. Several high-tech segments of the ceramics industry are addressed in the context of “new materials” which represent a heavily promoted class of products/technologies in the strategic emerging industries and the Made in China 2025 Initiative. Architectural ceramics, however, have received less attention on the national level although several documents cite this segment in the context of improving energy efficiency and environmental protection, regional development and technology transformation.

Without specific development blueprints, the ceramic tile industry is subject to the terms of the overall National Five-year Programmes for Economic and Social Development as well as legal frameworks governing environmental protection, product quality, worker safety and the like. The China Ceramics Industry Association, as principle intermediary organisation in this field formulates five-year plans for the sector. These, however, are not legally binding and serve as forecasts as well as development guidelines. Unfortunately, the latter are not part of the public domain.

The principal regulator of the Chinese ceramics industry is the Ministry of Industry and Information Technology (MIIT) and the National Development and Reform Commission (NDRC), as well as their representations on lower government levels. The MIIT drafts industrial development strategies, plans and policies and organises their implementation. It performs a wide variety of oversight functions, ranging from guiding SME to adjusting the industrial structure as well as its regional layout. Alone or in conjunction with other central government departments, the MIIT draws up laws, regulations, technical specifications and industry standards. The NDRC is in charge of compiling and issuing guidance catalogues identifying products and technologies which are encouraged, restricted or prohibited by the GOC.

The principal representative of ceramics industry interests and its main self-regulatory management organisation is the China Ceramic Industry Association (CCIA). The latter maintains active communication with the MIIT and feeds the concerns and demands of ceramics manufacturers into the policy formulation process. At the same time, the CCIA performs a self-governance function for the ceramics industry in that it communicates policies to the sector’s enterprises and monitors implementation progress as well as overall compliance. While the CCIA does not have the authority to punish regulatory violations by individual enterprises, it can launch investigations and alert relevant government departments of any transgressions.

Positioned as the central interface between industry and government, the CCIA is also tasked with collecting and processing information on sectoral performance and development trends. As the main data hub, the CCIA is an indispensable information source for the MIIT and other

departments. In addition to the monitoring and policing functions, the CCIA performs the role of a typical industry association, e.g. encourages research and development activities, promotes cooperation and platform building, organises training and reward events. In the international context, the association represents the Chinese ceramics industry through exchanges and cooperation. In the face of overseas trade defence investigations targeting Chinese exports of ceramics products, the CCIA serves as a coordinator of industry interests.

The ceramics industry is characterised by a high degree of market liberalisation and the footprint of state-owned enterprises (SOE) is negligible. This reflects the fact that the Government of the People's Republic of China (GOC) does not attribute strategic significance to most of the sector. Certain ceramic applied in electronics and power transmission represent exceptions and have been included in the "New Materials" category of the "Strategic Emerging Industries" or the "Made in China 2025" Initiative.

This report focusses on manufacturers of wall and floor tiles which are subject to the regulatory frameworks facing the larger ceramics industry as well as the construction materials sector. The ceramic tile industry comprises several hundred, mostly small to medium scale producers. As a result, industry concentration is low and competitive pressure high. Over the past 20 years, the industry structure has shifted from the traditional family-centred workshop to larger business enterprises.

The GOC promotes the further concentration of the sector on a smaller number of large-scale, internationally competitive corporations. This is on the background of tighter regulation in fields like pollution prevention, energy conservation, materials recycling and GHG emission reduction. It is asserted that larger entities have the financial strength and technical knowhow to operate advanced, efficient and automated production equipment – first of all – kilns. Smaller, less efficient and more polluting plants are gradually crowded out the market by the current regulatory setting.

Furthermore, the GOC strongly encourages the formation of industry parks and service platforms specialised on ceramics production. In Guangdong Province and elsewhere in the country, enterprises are guided to move production from their traditional locations in urban areas to such parks. Cluster promotion policy in the ceramics industry matches the pattern of other industries, like steelmaking, where designated areas offer modern infrastructure, common-use specialised facilities and – above – financial investment incentives. The co-location of numerous companies from across the supply chain is regarded as a way to reap agglomeration advantages and accelerate the pace of structural change – in other words cultivate large, strong, green and global champions.

The remainder of this section offers an overview of central policies that form the macro-framework for the development of the ceramic tile industry.

Central Government Plans for the Regional Layout of the Architectural Ceramics Industry

Ahead of the 12th Five-year Plan, the GOC initiated a programme to guide and shape the regional distribution of individual industries across different parts of the country. Conceived of as a component of industrial structure adjustment policy, the initiative aimed to enhance the development prospects and competitiveness of industrial sectors while also improving the living conditions in increasingly densely populated coastal areas. Sectors were encouraged and supported to relocate to regions offering suitable development conditions, e.g. availability of a low-cost labour force, cheap energy from local sources, land available for industrial development, or a stronger environmental carrying capacity.

On the other hand, the migration of often large, resource intensive and polluting industrial plants freed up development space for towns and cities looking to focus on more technology intensive businesses that promise higher value added and economic growth opportunities. Freeing up precious lots in densely developed urban areas and reducing the burden of local pollution were high on the agenda. The 2010 *Guiding Opinions of the State Council on Undertaking the Transfer of Industries to Central and Western Regions* stipulates that

“Industrial transfer is an effective way to optimize the spatial distribution of productive forces and form a rational system for the division on industry and labour. It is an inevitable requirement to promote industrial restructuring and accelerate the transformation of economic development patterns. At present, the international and domestic industrial division of labour has been deeply adjusted, and the transfer of industries from the eastern coastal areas to the central and western regions has accelerated. The central and western regions take advantage of abundant resources, low cost of factors, and large market potential, and actively undertake industrial transfer at home and abroad, which will not only help accelerate the process of new industrialization and urbanization in the central and western regions, and promote coordinated regional development, but also help promote the eastern coastal areas” (SC 2010 at preamble).

Governments in central and western regions are urged to develop specialised industry parks to accommodate the in-migration of industrial enterprises from coastal areas. The State Council demands to

“Take industrial parks as important carriers and platforms for undertaking industrial transfers and strengthen the construction of supporting infrastructure, such as transportation, communication, water supply, gas supply, power supply, disaster prevention and mitigation etc. Enhance the comprehensive supporting capacity of the parks, and guide transferred industries and projects to cluster in the park. Establish industrial clusters with distinctive characteristics. Give play to the

leading role of existing key industries and key enterprises in the parks and attract the overall transfer of the industrial chain and the coordinated transfer of related industries. Improve the supporting capacity of industries, and promote the specialised division of labour and socialised collaboration.” (ibid at 3.10).

As the centrepiece of the spatial redistribution strategy, industrial parks receive strong attention from the GOC, which pledges to

- Draw up an overall plan for the construction of industrial parks, and reasonably determine their industrial positioning and development directions
- Establish an industrial park system with optimized layout, industrial agglomeration, intensive land use and obvious characteristics
- Support the expansion and upgrade of eligible industrial parks and promote industrial parks with favourable development conditions to develop comprehensive service functions
- Develop characteristic industrial parks according to local conditions, vigorously promote the integrated development of parks. Avoid unreasonable and redundant construction (ibid at 3.11).

The GOC pledges strong and comprehensive support for improving the investment environment in the central and western regions and promoting the orderly transfer of industries. Support policies are rolled out in the fields of finance, taxation, investment incentives and land use rights.

- Transfer payments from the central government to central and western regions serve to improve people’s livelihood, enhance basic public services, finance public infrastructure projects in eligible national economic and technological development zones and high-tech development zones.
- Financial institutions are encouraged and guided to provide credit support for eligible industrial transfer projects. Similarly, financial institutions are called to provide support for the mergers and acquisitions of enterprises in the eastern region and the restructuring of enterprises in the central and western regions.
- The *Guidance Catalogue for industrial structure Adjustment*, the *Catalogue of Advantageous Industries for Foreign Investment in the Central and Western Regions* and the *Catalogue of Investment Projects Mandating Government Approval* are revised to promote industrial transfers. Differentiated industrial policies are to be formulated that centre on the development conditions and needs of central and western regions
- National-level high-tech industrial bases are to be constructed where conditions permit. Provincial-level funds promoting technology transformation and other special

funds are to give preference to supporting eligible industrial transfer projects. In addition, central and western regions are urged to set up industrial investment funds and venture capital funds according to the needs of industrial development.

- Give priority to the construction land indicators of industrial parks. Strictly implement the minimum price standard for industrial land, and further improve the implementation policy of the minimum price standard that reflects the orientation of the national industrial policy.
- Special customs supervision areas or bonded supervision sites are to be established in areas with mature conditions that are commensurate with the level of economic development. Support qualified border areas to establish border economic cooperation zones and cross-border economic cooperation zones. Cultivate and build a number of key areas for the gradient transfer of processing trade. Provide loan support to key processing trade enterprises.

Based on this policy framework, the *Guidance Catalogue for Industrial Development and Transfer (2018 Edition)* endorses the development and clustering of the architectural ceramics industry in the following regions:

Table 4: GOC approved focal Areas for Architectural Ceramics Industry Clusters

| Region | Description |
|--|--|
| Inner Mongolia Autonomous Region | Energy-saving and environmentally friendly architectural ceramics and precision ceramics (Baotou, Chifeng, Ulanqab, Wuhai, Ordos) |
| Yunnan Province | High-grade energy-saving architectural ceramics, high-quality water-saving sanitary ceramics, bone china/magnesium porcelain and other high-grade ceramics (Yuxi City) |
| Tibet Autonomous Region | Ceramic products (Lhasa City, Shigatse City, Tibetan Qing Industrial Park) |
| Shaanxi Province | Architectural ceramic products (Xianyang City, Ankang City, Tongchuan City, Weinan City) |
| Gansu Province | Special ceramics, ceramic sheet, ceramic cleaner production and comprehensive utilization technology development (Baiyin City, Pingliang City, Jiuquan City) |
| Xinjiang Uyghur Autonomous Region | Middle and high-grade architectural ceramics (Yili Prefecture, Kashi area, Aksu area) |
| Xinjiang Production and Construction Corps | Architectural ceramic products (Alar City, Tumshuke City, Kekedala City, Kunyu City, Shuanghe City) |

| Region | Description |
|--------------------|---|
| Jiangxi Province | Oversized and thin ceramic tiles, extruded ceramic products (Yichun City, Ganzhou City, Nanchang City, Jiujiang City, Pingxiang City) |
| Henan Province | New architectural ceramics, high-grade stone materials (Zhengzhou, Jiaozuo, Xuchang, Xinyang, Nanyang) |
| Zhejiang Province | Oversized and thin ceramic tiles (panels), special ceramics, smart bathrooms (Hangzhou, Ningbo, Taizhou) |
| Fujian Province | Oversized and thin ceramic tiles (panels), functional ceramics (Zhangzhou, Quanzhou, Fuzhou) |
| Guangdong Province | Architectural and sanitary ceramic products (Foshan City, Zhaoqing City, Chaozhou City, Qingyuan City) |

2009 Structural Adjustment and Revitalisation Programme for Light Industry

Industries shall pursue relocation in line with special characteristics and resource requirements. The ceramics industry shall relocate to regions with resource advantages and favourable energy supply conditions (NDRC and MIIT 2009).

2015 Action Plan for Promoting the Production and Application of Green Building Materials

Action Objective: By 2018, the proportion of green building materials in the main business income of the industry shall be increased to 20%, and the varieties and quality shall better meet the needs of green buildings. Compared to 2015, the energy consumption per unit of added value in the building materials industry shall decrease by 8%, and the total emissions of nitrogen oxides and dust shall decrease by 8% as well. The proportion of green building materials applications shall increase steadily. The application ratio of green building materials in new buildings shall reach 30%, the application ratio in green buildings shall reach 50%, the application ratio in pilot demonstration projects shall reach 70%, and the application ratio in existing buildings shall be increased to 80% (MIIT and MOHURD 2015 at preamble).

Fully implement clean production. Support existing enterprises to implement technological transformation and improve the level of green manufacturing. Promote the application of common-use technologies, such as building materials kiln flue gas desulphurisation, denitrification and dust removal, clean coal gasification, smart manufacturing and synergistic resource utilisation. Prioritise supporting the technological transformation of clean production in the architectural and sanitary ceramics industry (ibid at 1.1).

Promote the integration of advanced IT in the production process and develop smart manufacturing. Guide building materials production enterprises to improve the level of IT

application and automation. Focus on promoting smart manufacturing and improve the level in cement, architectural and sanitary ceramics as well as other industries. Deepen the application of e-commerce, use QR code, cloud computing and other technologies to establish a traceability information system for green building materials. Enhance the IT level of logistics and supply chain coordination of green building materials. Develop and promote industrial robots, and carry out "robots replace humans" pilot projects in architectural ceramics, glass, fiberglass and other industries (ibid at 1.3).

Promote thin ceramic tiles and water-saving sanitary ware. Promote the use of large and thin ceramic tiles, water-saving and lightweight toilets (urinals) (ibid at 7.18).

Study and draw up supporting policies. Use existing channels to guide social capital, increase investment in R&D of common-use key technologies. Support enterprises to carry out technological transformation of green building materials production and application. Research and formulate fiscal, tax, price and other related policies to encourage the production and consumption of green building materials such as cement kiln co-processing, energy-saving glass doors and windows, water-saving sanitary ware, thin ceramic tiles, and new wall materials. Support qualified regions to set up special funds for the development of green building materials, and provide loan discounts to enterprises committing to the production and application of green building materials. Incorporate green building materials evaluation and identification information into the credit acceptance system of government procurement, bidding, financing and credit. Research and formulate special financial subsidies for building materials used in rural areas ... (ibid at 10.27).

2016 Guiding Opinions on Promoting Steady Growth, Adjusting Structure and Increasing Benefits of the Building Materials Industry

Improve the quality of ceramics. Starting from government investment projects and public buildings, promote thin ceramic tiles and green building materials, such as water-saving and lightweight sanitary ware to promote green consumption. Strengthen product design and R&D of key spare parts, develop multi-functional products, smart home and other products, improve the technical content and artistry of products, and promote smart and multi-functional ceramic products to better meet individual consumer needs (GOSC 2016 at 3.10).

Develop new materials. Focusing on the intensive and deep processing of non-metallic minerals, such as graphite, kaolin, bentonite and diatomite, increase efforts to tackle key problems in mineral homogenisation, purification, ultra-fine grinding, grading and surface modification. Vigorously develop non-metallic-based minerals (ibid at 3.12).

Improve technical equipment. Carry out collaborative research, vigorously develop fibre-reinforced resin matrix composite materials, high-end glass and products, fine ceramic

precursors and ceramic powders, artificial crystal materials and other production and testing equipment. Enhance equipment control accuracy, automation level and production process stability (ibid at 3.13).

Green and smart development. Intensify efforts to control volatile emissions and support enterprises to cluster together in characteristic industry parks. Encourage such parks to speed up fuel upgrades, and implement the transitions “coal-to-gas” and “coal-to-electricity”. Enterprises with suitable conditions shall focus on the use of clean energy. Develop and popularise technologies, such as efficient combustion of glass melting furnaces, waste heat utilisation technologies, comprehensive treatment of desulphurisation, denitration and dust removal in ceramics furnaces, dry pulverisation of raw materials and continuous ball milling to improve the level of energy cascade utilisation. ... Promote smart manufacturing, build the Internet of Things in the factory area, promote “machines replace people” in repetitive operation sections, such as handling and palletizing. Strengthen the visual management of key parameters such as product quality, pollutant emissions, and energy consumption, and improve quality and efficiency (ibid at 4.14).

2016 Development Programme for Light Industry (2016-2020)

Promote new technologies such as high-efficiency and energy-saving advanced moulding technology and rapid firing technology for daily-use ceramics. Focus on the development of green daily-use ceramics with low resource consumption. Enhance the product innovation and design capabilities of enterprises and increase the added value of products. Strengthen the inheritance and development of the traditional craftsmanship of artistic ceramics, and focus on the development of fine art ceramics. Speed up the research and development of low-temperature formulation systems, and reduce the firing temperature and energy consumption of products. Improve waste recycling and strengthen cleaner production (MIIT 2016a).

2016 Development Programme for the Construction Materials Industry (2016-2020)

Promotion of supply-side structural reforms, resolution of excess capacity, and Implementation of green, smart production formats. Promotion of the use of thin and functional ceramic tiles

In the field of architectural and sanitary ceramics, promote the use of thin, functional ceramic tiles... (MIIT 2016b at Column 4).

In terms of regional specialisation, the document stipulates the following:

- Liaoning shall develop ... bentonite deep processing and accelerated the upgrading and transformation of the ceramics industry.

- Jiangsu shall focus on the development of ... kaolin deep processing.
- Zhejiang shall develop ... bentonite deep processing.
- Jiangxi shall develop ceramics deep processing industries. Shandong shall develop industrial ceramics.
- Fujian shall promote the transformation and upgrading of the ceramics ... industry, and optimises and strengthens ... kaolin deep processing.
- Guangdong shall further improve and strengthen the industries of architectural and sanitary ceramics, ... kaolin deep processing.
- Guangxi shall build a demonstration base for deep processing industries of ... kaolin, and undertake the transfer of architectural and sanitary ceramics in the East.
- Sichuan shall promote the transformation and upgrading of its ceramics industry (ibid at Column 5).

Technologies particularly promoted in the field of architectural and sanitary ceramics: Functionalised glaze, inkjet printing technology, advanced inorganic non-metallic materials, ultra-fine ceramic powder, nano-ceramic and precursor preparation, near-net shape and precision machining technology of ceramic products, reliability evaluation and life prediction technology, additive manufacturing (3D printing) and ceramics suitable for additive manufacturing (3D printing) (ibid at Column 8).

Green production technology focus for architectural and sanitary ceramics manufacturing. Implement energy-saving kilns, kiln waste heat utilisation, low-temperature firing, one-time firing of glazed tiles, dry milling, continuous ball milling, high-efficiency clean coal gasification production, and comprehensive kiln exhaust dust removal, desulphurisation and denitrification (ibid at Column 10).

Develop, promote and apply Internet-based Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES) suitable for ... ceramics ... and other industries. Deepen comprehensive integration, and realise the integration of management and production control, the integration of production supply and marketing, the integration of financing and business and other innovative applications.

In the fields of ... architectural and sanitary ceramics ... promote application systems such as computer-aided Process Planning (CAPP) and Product Data Management (PDM), and carry out Internet-based creative design and customised product production (ibid at Column 11).

Promotion of smart manufacturing technology application in the field of architectural and sanitary ceramics. Promote PLC control technology, ceramic raw material preparation control

systems, ceramic kiln control technology, press control systems as well as robotic glazing, product selection and packaging stacking, etc. (ibid at Column 12)

2017 Action Plan for Industrial Energy Conservation and Green Standardisation (2017-2019)

- Formulate a number of industrial energy conservation and environmental protection standards. Focus on formulating a number of standards for energy-saving and water-saving designs, energy consumption calculation, energy-efficiency and water-efficiency evaluation, energy-saving supervision specifications and renewable resources utilisation in various industries. Focus on formulating a number of energy-saving and green technical specifications and standards in the fields of energy-efficiency and water-efficiency of end-use energy-consuming products, industrial energy-saving and water-saving design and optimisation, distributed energy, waste heat and pressure recovery and utilisation. Speed up the formulation of standards for green factories, green parks, green products, and green supply chains to guide the construction of a green manufacturing system.
- Revise and update a number of industrial energy conservation and green standards. For some key industries and key energy-using equipment standards that are more than three years old, shorten the review cycle and speed up the revision and update of a number of industrial energy conservation and green standards. Sort out energy consumption quota standards for key industries, such as ... building materials ... and light industry, and promote the formulation and revision of standards by category, so as to achieve full coverage and rolling updates of energy consumption quota standards for high-energy-consuming industries. Strengthen the formulation and revision of energy efficiency standards for products and equipment in ... light industry ... to ensure that the standard indicators are advanced and play a guiding and restraining role on energy-using equipment.
- Implement mandatory energy consumption limits and product energy efficiency standards, regulate energy use behavior of industrial enterprises in accordance with the law. Urge key enterprises to implement mandatory energy conservation standards, implement energy measurement and statistics systems, and eliminate outdated processes and energy-using equipment by increasing industrial energy conservation supervision.
- In line with advanced enterprises and advanced levels, promote the implementation of energy-saving technological transformation. Focus on energy efficiency and water efficiency benchmarking activities in ... building materials ... and other industries and implement an energy efficiency and water efficiency "leader" system. Compile lists of benchmarking enterprises and energy efficiency indicators and release of best practice guidelines.

- Establish a platform to strengthen communication and coordination, summarise experience in standard formulation and implementation, carry out local standard exchanges and coordinate the promotion of industrial energy conservation and green standardisation with participation from the MIIT, local industrial supervision authorities, energy conservation supervision agencies, industry associations, social organisations and key enterprises.
- Enhance the awareness and ability of industry and information technology authorities, energy conservation supervision agencies, and key enterprises to implement standards. Give full play to local energy conservation supervision agencies, through the preparation of training materials, on-site training, and construction of online training platforms and other means to strengthen the training of energy conservation and green standards for energy conservation managers, energy conservation supervisors, and persons in charge of enterprise energy management.

2017 Catalogue of Advantageous Industries for Foreign Investment in Central and Western Regions (2017 Amendment)

Foreign-invested projects belonging to this catalogue are entitled to preferential policies for encouraged foreign-invested projects. Hunan Province: 7. R&D and production of high-tech ceramics such as artistic ceramics, daily-use ceramics, industrial ceramics, and special ceramics.

2019 Energy-saving Design Standards for Building Sanitary Ceramics Factories

Energy consumption per unit product of architectural and sanitary ceramics is connected with current national standards. Indicators, such as the design limit of energy consumption for the main production processes of architectural and sanitary ceramics factories are improved (MOHURD, 2019a)

2019 Product Standard for Lightweight High Strength Ceramic Panels for Construction

Introduction of improved product standards for higher performance requirements for lightweight and high-strength ceramic plates for construction (MOHURD, 2019a).

2019 Guidance Catalogue for Industrial Structure Adjustment (2019 Edition)

Technologies to be encouraged

- (1) Development and application of production technology for centralised ceramic pulverisation and clean coal gasification in ceramic industry parks; development and application of production lines and technical equipment for ceramic plates of 1.62 m² or larger; and development and application of production lines and technical

equipment and for lightweight foam ceramic partition wall plates and insulation plate materials made from tailings, wastes and other materials (at 1.12.4)

(2) Development of clean production and synergistic utilisation technologies for ceramics (at 1.19.6)

Technologies to be restricted

- Production lines for architectural ceramics (excluding architectural glazed products) of 1.5 million m² per year or less (at 2.9.2)
- Tunnel kiln sanitary ceramic production lines with an output of 600,000 pieces per year (exclusive) or less (at 2.9.2)

Technologies to be eliminated

- Production lines for architectural ceramic tiles with an output of 1 million m² per year or less, and production lines for sanitary ceramic with an output of 200,000 pieces per year or less (at 3.8.5)
- Architectural sanitary ceramics (excluding architectural glazed products) earth kilns, inverted flame kilns, porous kilns, coal fired open flame tunnel kilns, muffled flame tunnel kilns, saggar-mounted sanitary ceramic tunnel kilns (at 3.8.5)

2021 Green Industry Development Programme for the 14th Five-year Plan Period

- By 2025, significant results shall be achieved in the green and low-carbon transformation of both the industrial structure and production methods. Green and low-carbon technology and equipment shall be applied widely, energy efficiency shall be greatly improved, and the level of green manufacturing shall be comprehensively improved, laying a solid foundation for carbon peaking in the industrial sector by 2030.
- The emission intensity shall continue to decline. Carbon dioxide emissions per unit of industrial added value shall be reduced by 18%, and the total carbon emissions control of key industries, such as ... construction materials shall achieve phased results.
- The emission intensity of pollutants shall drop significantly. The ability to control the origin of harmful substances shall be continuously strengthened. The level of clean production shall be significantly improved, and the emission intensity of major pollutants in key industries shall be reduced by 10%.
- Energy efficiency shall be steadily improved. The energy consumption per unit value added of industries above designated size shall be reduced by 13.5%, and the unit consumption of key industrial products ... shall reach the advanced international levels.
- The level of resource utilisation shall be significantly improved. The resource output rate of key industries shall continue to increase, the comprehensive utilisation rate of

bulk industrial solid waste shall reach 57%, and the recovery and utilisation of main recyclable resources 480 million tonnes. Water consumption per unit of industrial added value shall be reduced by 16%.

- Gradually perfecting the green manufacturing system. The green manufacturing system in key industries and key regions shall be basically completed, the industrial green and low-carbon standard system improved. 10,000 green products shall be promoted, and the output value of the green environmental protection industry shall reach RMB 11 trillion. Layout and build a batch of standard and technical public service platforms.

2021 Smart Manufacturing Development Programme for the 14th Five-year Plan Period

The document demands that by 2025, most of manufacturing enterprises above designated size shall apply digital networking into production operations, while key industry backbone enterprises shall apply smart manufacturing. Until 2035, digital networking shall be fully popularized in manufacturing enterprises above designated size, and key enterprises in key industries shall have fully adopted smart manufacturing (MIIT et al. 2021).

Substantial progress shall be made in the transformation and upgrading. 70% of the manufacturing enterprises above designated size shall have basically achieved digital networking, and built more than 500 smart manufacturing demonstration factories that lead the development of the industry. The production efficiency, product yield rate, energy and resource utilization rate of manufacturing enterprises shall be significantly improved, as shall the maturity level of smart manufacturing capabilities.

Supply capacity shall be significantly enhanced. The technical level and market competitiveness of smart manufacturing equipment and industrial software shall be significantly improved. The market satisfaction rate for the latter shall exceed 70% and 50%, respectively. Cultivate over 150 smart manufacturing system solution providers with high professional level and strong service capabilities.

Consolidate foundational support. Cultivate a batch of smart manufacturing innovation carriers and public service platforms. Form a standard system and network infrastructure suitable for the development of smart manufacturing. Complete the formulation and revision of more than 200 national and industry standards, and build more than 120 industrial Internet platforms with industry and regional influence.

2022 Raw Materials Industry Development Programme for the 14th Five-year Plan Period

- By 2025, the ability of the raw material industry to guarantee and lead the high-quality development of the manufacturing industry will be significantly enhanced; the growth rate of the added value will remain at a reasonable level, and its proportion in the manufacturing industry will be basically stable; the scale of the new materials industry will continue to increase, and its proportion in the raw material industry will increase significantly; Form a higher quality, better efficiency, better layout, greener and safer industrial development pattern.
- The level of high-end supply continues to improve. The quality, stability, reliability and applicability of advanced basic materials and high-end products have been significantly improved. Some cutting-edge new material varieties have achieved mass production and typical applications. Break through a number of key basic materials in key strategic areas. The collaborative innovation system is more efficient and perfect, and the national new material platform system has been initially established. The innovation capability of the new material industry has been significantly improved, the R&D investment intensity of key industries has reached more than 1.5%, and a group of key common core technologies with independent intellectual property rights have been mastered.
- The level of structural rationalisation continued to improve. The production capacity of key raw materials and bulk products ... has only been reduced but not increased, and the capacity utilisation rate has been maintained at a reasonable level. The concentration of industries in key areas will be further improved, and 5 to 10 leading enterprises in the industrial chain with ecological leadership and core competitiveness will be formed. Industrial layout and production factors are more coordinated, and more than 5 world-class advanced manufacturing clusters have been formed in the field of raw materials. The intensive level of chemical parks has been significantly improved, and a number of petrochemical industry bases have been formed.
- The level of green development has been greatly improved. Phased results have been achieved in the control of total energy consumption and total carbon emissions in key industries such as ... building materials. ...The comprehensive utilisation rate of solid waste such as industrial waste was further improved.
- The effect of industrial digital transformation is prominent. More than 20% of enterprises with a smart manufacturing capability of level 3 and above, the digital control rate of key processes exceeds 70%. The level of digitisation, networking and smart applications of key industries has been significantly improved, and the construction of enterprise network security protection capabilities has been accelerated, and more than 100 smart manufacturing demonstration factories and more than 10 industrial Internet platforms have been built.

- The foundation of system security is more solid. The ability to guarantee strategic resources has been greatly improved, and a basically stable resource guarantee system has been formed. The independent and controllable level of key production technology and equipment in key industries has been greatly improved, and the breakpoints and blockages of the industrial chain have been significantly reduced. The intrinsic safety level of key industries has been greatly improved. The relocation and transformation of hazardous chemical production enterprises in densely populated urban areas has been completed. By 2035, it will become a highland for the research and development, production and application of important raw material products in the world, the competitiveness of the new material industry will be comprehensively improved, the level of green and low-carbon development will be advanced in the world, and the industrial system will be safe, independent and controllable.

2022 Construction Industry Development Programme for the 14th Five-year Plan Period

Released in late January 2022, the Development Programme includes objectives for both 2025 and a long-term vision for 2035 (MOHURD 2022). Until 2025, business environment and industrial structure shall be continuously optimized, and the order of the construction market shall be significantly improved. Engineering quality and safety assurance systems shall be sound, and level of digitalization and smart applications shall be enhanced. The green transformation of construction methods shall achieve remarkable results, accelerating the transformation of the construction industry from large to strong.

Consolidate the status of pillar industries in the national economy and keep the average annual growth rate of the national construction industry output value within a reasonable range, and the proportion of construction industry added value in GDP at around 6%. Pursue the deep integration of next-generation IT applications, cultivate new products, new formats and new models as well as new engines for economic development.

Enhance the modernization level of the industrial chain. Firmly establish the policy systems and industrial systems for the coordinated development of smart construction and new construction industrialization. The proportion of prefabricated buildings shall exceed 30%.

The green and low-carbon production mode shall take shape. Green construction policy, technology, and implementation systems shall be formed. The implementation of green construction methods shall be accelerated, and the level of engineering construction continuously improved. Limit the amount of construction waste of new buildings to 3,000 tonnes per 1,000 square meters, and promote its orderly disposal and reuse. Several green construction demonstration projects shall be built.

Optimize the construction market system. Accelerate the revision of the Construction Law and improve other relevant laws and regulations. The enterprise qualification management system shall be further improved, the individual practice qualification management further strengthened, and the project guarantee and credit management system continuously optimized. The organizational model of engineering construction shall be continuously optimized, and general contracting and whole-process engineering consulting widely implemented. The number of construction workers above intermediate skill level shall exceed 10 million.

Improve engineering quality and safety. Effectively prevent major accidents and improve fire protection design review and acceptance. The smart construction of urban rail transit projects shall begin to take effect with improved earthquake resistance and disaster prevention capabilities. Quality and safety technology innovation and application levels continue to improve.

3 LOCAL POLICY FOR THE CERAMIC TILE INDUSTRY

Implementation Opinions on Making Chaozhou Ceramic Industry Bigger and Stronger

The document defines the ceramics industry as the city's No. 1 pillar industry which plays an important supporting role in the city's economy and society (Chaozhou 2017). In order to further promote the local ceramics cluster, enhance the brand influence of Chaozhou ceramics, and help Chaozhou to accelerate its development the Opinions put forth the following points.

- Improve the spatial layout of the ceramic industry. Speed up the planning of Chaozhou Ceramics Headquarters Base, Purchasing Centre, Exhibition and Professional Wholesale Market, and rationally plan the spatial layout of the ceramics industry under the premise of giving priority to the environment (ibid at 1.1).
- Attract and support corporate headquarters. For ceramic enterprises identified as corporate headquarters, the municipal government provides support in the fields of construction land, fixed asset investment incentives, office housing subsidies, enterprise settlement incentives, and business contribution incentives (ibid at 1.2).
- Develop the ceramic exhibition industry. Accelerate the construction of the Ceramic Exhibition Centre, and actively attract domestic and foreign famous ceramic enterprises to participate in the exhibition. Expand the scale and domestic and foreign influence of the exhibition, and establish the brand and status of the Chaozhou Ceramic Exhibition (ibid at 1.3).
- Promote e-commerce and modern ceramic logistics. Accelerate the set-up of "Chaozhou Ceramics Mall" on Jingdong and other e-commerce sales channels.
- Improve the speed and convenience of export business by way of electronic inspection, electronic supervision, and electronic customs clearance
- Cultivate and introduce several modern logistics enterprises, and introduce advanced logistics concepts. Provide efficient, high-quality, safe and convenient logistics services for Chaozhou Ceramics. Speed up the construction of logistics parks, and effectively change the current situation of scattered and inefficient ceramic warehouses (ibid at 1.4).
- Encourage domestic and foreign ceramic enterprises to set up procurement centres, R&D centres, testing centres, intermediary service centres, training centres, exhibition centres, logistics centres, etc. and improve the comprehensive service environment of the ceramic industry. Newly established provincial-level or national-level enterprise technology centres and industrial design centres may qualify for a one-time reward (ibid at 2.6).
- Support and cultivate key enterprises and iconic products to form famous regional brands. Encourage enterprises to strive to create more Chinese World-Famous Brand products, Chinese Well-known Trademarks, Chinese Famous Brand Products and

Chinese Famous Export Brands. A one-time reward will be given to enterprises that apply for the China Quality Award, the Provincial Government Quality Award, and the Municipal Government Quality Award. Support and encourage Chaozhou Ceramics Industry Association and Chamber of Commerce to register and declare the regional brand of “Chaozhou Ceramics”. Government departments at all levels are to collaborate and provide full support for building the “Chaozhou Ceramics” brand (ibid 2.7).

- Encourage the development of high value-added ceramics. Focus on the development of high-end smart bathroom ceramics, industrial ceramics, electronic ceramics, functional ceramics, ceramic equipment, new ceramic materials and ceramic creative industries. For the industrialized development of encouraged projects, governments at all levels are to provide support in terms of policies, funds and land use (ibid at 2.8).
- Encourage ceramic enterprises to expand overseas and collectively participate in international exhibitions. Manufacturers with local headquarters may apply for special support funds (ibid at 2.9)
- Provide space for the development of strong enterprises. The municipal government may reserve land to meet the land demand of ceramics enterprises’ undertaking expansion or renovation projects. Ceramic enterprises are to be guided to an industrial agglomeration area with unified planning (ibid 3.10).
- Encourage the relocation and reconstruction of enterprises. Actively support land use site selection, land approval, land use scale and planning arrangements (ibid at 3.13).
- Encourage local enterprises to tap capital markets, and further accelerate the pace of listing and financing of enterprises. Financial incentives may be provided to listed companies and those planning an IPO (ibid at 4.15).
- Encourage M&A. All administrative fees and charges are waived in cases where both companies are registered inside the city. Financial incentives exist for M&A involving high-quality enterprises based elsewhere in the country but paying taxes in Chaozhou. (ibid at 4.16)
- Solve the loan problem of ceramic enterprises. Formulate and implement the *Several Measures on Solving the Problems Left over from the History of the Use of Land, Factory Buildings and Other Real Estate by Enterprises*. Supplement and improve the declaration procedures for land that meets the regulations, so that enterprises can use land and other real estate as collateral to obtain bank loans (ibid at 4.17)
- Improve the efficiency of customs clearance document review and inspection. Save the time and cost of customs clearance for enterprises, and provide the greatest customs clearance convenience for law-abiding enterprises (ibid at 6.23).
- Strengthen the connection between government and enterprises. Implement the system of linking key enterprises with leaders, increase policy publicity, improve

service efficiency, and coordinate and solve the difficulties and problems encountered by ceramic enterprises in the development process in a timely manner (ibid at 6.24).

- Support industry associations to undertake the transfer of government functions and purchase services. Member units can ask the Municipal Economic and Information Bureau for special services or report problems through the association (ibid at 6.25).
- Introduction and training of talents in short supply for ceramic enterprises. Qualified high-level talents of ceramic enterprises can enjoy the support policy of “Chaozhou City’s Measures for Introducing and Cultivating High-level Talents”. For particularly important matters such as the introduction of key talents (teams) and the priority layout of major projects, the municipal party committee and the municipal government may issue customised support policies (ibid at 7.26).
- Human resources and social security departments shall keep track of and take seriously the employment and talent needs of ceramic enterprises. Municipal government departments shall organise “order-based training” and “order-based recruitment” services at vocational and technical schools (ibid at 7.27).
- establish and improve the financial incentive and subsidy system applicable to ceramic enterprises in our city according to the relevant policies and measures of the state, further clarify the scope of incentives and subsidies

In 2018, the Chaozhou municipal government issued the *Implementation Plan for Promoting the High-quality Development of the Ceramic Industry of Chaozhou City* (Chaozhou City 2018) to accelerate the transformation and upgrading of the city’s ceramic industry and promote high-quality development of advantageous traditional industries. The Implementation Plan stipulates

- Rectify and standardize the porcelain clay market. Determine the limits of local porcelain clay resources, establish a city-wide account, and plan the mining of porcelain clay in an orderly manner. Develop the clay market, communicate with governments or industry associations in areas rich in kaolin resources, and sign long-term cooperation agreements. Encourage local enterprises to partner with mining enterprises in the origin of kaolin to carry out exploration and mining of high-quality kaolin (ibid at 3.1.1 and 3.1.2).
- Set up a ceramic industry innovation centre. The municipal government, colleges, enterprises, associations and other stakeholders shall join forces and bundle resources to create an innovation service platform covering new ceramic materials, new technology R&D and application, smart manufacturing, industrial design, intellectual property protection and other issues (ibid at 3.2.3).

- Set up an innovation-driven pioneer zone in the ceramic industry. Area B of Nanshan Phase II of the Development Zone has been selected to host this zone which features smart manufacturing, new material applications in a high-quality ceramic production base (ibid at 3.2.4).
- Accelerate the application of automated production lines. Strengthen policy guidance and financial support and establish key demonstration projects for robotic application in the ceramic industry. Promote the popularisation of automated production lines in conjunction with industrial robots and other forms of advanced technology (ibid at 3.3.7).
- Cultivate high and new technology enterprises. Encourage and guide ceramic enterprises to pursue official HNTE recognition and improve independent R&D capability (ibid at 3.3.9)
- Guide brand innovation and management. Support enterprises with strong reputation, stable product quality and favourable market prospects to apply for Chinese Famous Brand Products, Guangdong Famous Brand Products as well as for national, provincial and municipal quality awards (ibid 3.5.14).
- Speed up the expansion of gas distribution infrastructure. Reduce the cost of gas use by ceramic companies. Coordinate and promote the construction of supporting pipelines for LNG projects in eastern Guangdong as well as LNG branch lines in Fujian and Guangdong, and speed up the construction of port natural gas receiving projects (ibid at 3.8.20)
- Establish a leading group led by the deputy mayor to strengthen the unified organization and coordination of the high-quality development of the ceramic industry (ibid at 4.1).
- Strengthen industry associations and give full play to their functions as bridge between businesses and government, and as agent to promote industry self-discipline, intellectual property rights protection and provide comprehensive services (ibid at 4.2).
- Strengthen financial support. Fully implement fiscal and taxation policies as well as reward and subsidy projects supported by governments at all levels to support the transformation and upgrading of the ceramic industry. Give full play to the guiding role of municipal funds and Zhongshan counterpart assistance funds, and increase support for “innovation-driven pioneering areas” as well as for high-end and smart manufacturing (ibid at 4.3).

In November 2020, the Municipal Industry and Information Technology Department of Chaozhou issued the *Administrative Measures for the Smart Application Special Fund of Chaozhou City* (Chaozhou City 2020b). The document outlines the management procedures of the city’s RMB 20 million special fund for supporting and rewarding enterprises to implement

smart manufacturing. The municipal IIT department reserves the right to organise project application and formulating the funding plan. It carries out promotion activities for smart manufacturing and reviews funding applications. Social intermediary organizations or other third-party organizations, such as enterprises, public institutions and industry organizations may be entrusted to undertake or assist in handling relevant specific affairs according to the management needs of the declaration of special funds.

- Financial support is provided in the form of equity investment or loan interest subsidies. The former is applied in the case of newly introduced, newly built or expanded smart application projects or service platform projects with independent intellectual property rights, core key technologies, and market prospects that meet the key development priorities (ibid at 7.1)
- Alternatively, private industrial enterprises that have been recognised as “four beams and eight pillars” by Chaozhou City may obtain loan interest subsidies for the realisation of smart manufacturing projects. In this case, the company applies for a conventional bank loan on commercial terms and receives a government subsidy for offsetting part of the interest (ibid at 7.2). The subsidy ratio of a single enterprise shall not exceed 50% of the interest, and the subsidy amount shall not exceed RMB 1 million (ibid at 11).
- The scope of supported projects also covers public service projects, such as smart manufacturing, internet of things, in-depth integration of advanced IT, technical services and talent training for enterprises in the city (ibid 7.4).
- For projects supported by equity investment, the subsidy amount is capped at RMB 8 million, and the equity investment funds shall be used by the project unit for the construction of intelligent application projects. The investment period is set as 3-5 years, with a maximum of 10 years. Upon expiry, financial funds will be withdrawn and the proceeds will continue to be used as special funds for promoting smart applications (ibid at 10).
- An enterprise can only apply for one application project per year. Public service projects of the same type are funded only once a year (ibid at 16).

In addition to these documents, the Chaozhou municipal government issued a variety of circulars that, unfortunately, have not been released into the public domain. These include:

Three-year Action Plan for High-quality Development of High and New Technology Enterprises in Chaozhou City (2020-2022)

The plan reportedly calls for the formation of a comprehensive cultivation system for HNTE with a focus on enhancing independent innovation capability. In addition, the plan aims to, on the one hand, improve the development environment of HNTE and, on the other, promote the cultivation and recognition of potential new HNTE, including a recognition reward of up

to RMB 400,000 (Chaozhou Daily 08.01.2021). While the Action Plan itself could not be retrieved, an announcement of the municipal government listing the certification rewards disbursed to new HNTe is publicly available (Chaozhou City 2021).

Industrial Technological Transformation Investment Orientation Plan 2020

The Plan cites a total of 170 projects important projects and strongly promotes the construction of the Guangdong Advanced Ceramic Materials Innovation Centre and the Hanjiang Laboratory to accelerate innovation momentum (Chaozhou Daily 08.01.2021).

Implementation Plan for Accelerating the Promotion of Smart Applications to Promote the High-quality Development of the Manufacturing Industry

The Plan goes hand-in-glove with the *Administrative Measures for the Smart Applications Special Fund of Chaozhou City* cited earlier. It reportedly calls for on-site conferences to accelerate the popularisation of production automation and smart manufacturing. This builds on a cooperation with Guangdong Smart Manufacturing Research Institute and a jointly established Smart Manufacturing Technology and Equipment Innovation Centre in Chaozhou. The Plan supposedly targeted a doubling of smart equipment applications to 10,000 sets until yearend 2020 (Chaozhou Daily 08.01.2021).

Action Plan for Building a RMB 100 billion Ceramics Industry Cluster in Chaozhou City

The Action Plan aims to boost scale and quality of the local ceramics industry, to build a world-class advanced ceramic manufacturing cluster, and to further consolidate the “Ceramic Capital of China” brand.

Over a period of 3-5 years, the local ceramic industry is to undergo strong expansion and bring forth several leading and backbone enterprises with international influence. A key objective is to reach a total industrial output value of RMB 100 billion by the end of 2025. At the same time, the number of ceramics manufacturers above designated size is to reach 1,000 enterprises. Parallel to a substantial increase in overall competitiveness, the city’s ceramic enterprises shall realise production automation and smart manufacturing on a large scale (Chaozhou City 2020c). Other objectives include the following:

- By the end of 2025, the municipal government aims for more than 50 provincial-level engineering technology R&D centres in ceramic enterprises.
- Implement close monitoring of the operation of the ceramic industry, step up support for small and medium-sized enterprises.
- Carry out key support and deepen the cultivation of large-scale backbone enterprises in accordance with the principle of “one-enterprise, one-policy”. Provide special training and guidance, strengthen support for newly upgraded enterprises, and implement graded incentive policies

- Improve the supply of porcelain clay, standardize the production and operation order of porcelain clay resources, expand the source channels of porcelain clay, and ensure long-term stable supply.
- Accelerate the construction of industrial parks and give priority to the high-quality development space of the ceramic industry
- Promote advanced quality management methods, the establishment of a full-staff, all-round and whole-process quality management system for ceramic enterprise.

(Provisional) Measures for the Implementation of Subsidy Funds for R&D Expenses of Enterprises in Chaozhou City. The measures aim to promote industrial transformation and upgrading, enhance the city's independent innovation capability and guide enterprises to continuously increase R&D investment. Subsidy funds for corporate R&D expenses based on the amount of funds an enterprise has allocated for R&D during the previous year (Chaozhou City 2020a).

In a **reply to an inquiry by Mr. Li Yaokun**, delegate to the Guangdong Provincial People's Political Consultative Conference, **the provincial Industry and Information Technology Department** outlined support measures for the local ceramics industry (Guangdong Province 2021). Key points of the reply include the following:

Broaden the path for securing industrial land. It was clearly proposed to innovate the planning management system and review and approval mechanism, simplify land use approval procedures, and implement land value-added tax. In 2020, the upgrading and transformation of industrial clusters in villages and towns will begin. Through this, land space has been made available for new technologies, new industries and new formats (ibid at 3.1).

Multiple measures to reduce the cost of land for enterprises. For manufacturing projects that belong to the province's priority development industries and that use land intensively, the reserve price of land transfer can be based on the location of the land. Implement 70% of the minimum land price standard. Vigorously promote long-term leasing, and supply industrial land with flexible terms. As of the end of 2020, a total of 718 industrial lands covering 3,272.44 hectares have been transferred, saving enterprises RMB 80 billion in initial land costs (ibid at 3.2).

Actively protect the land for the ceramic industry. Preferential policies for industrial land supply have been issued, such as the *Measures for Land Supply to Modern Industries of Chaozhou City*. The province is clearing and revitalising unused or inefficiently used land, and

actively promotes the upgrading and transformation of ceramic industry clusters, such as Fengxi, Fengtang, and Guxiang (ibid at 3.3).

In the next step, provincial authorities will actively coordinate and strengthen the support for Chaozhou ceramic industry land, vigorously promote the upgrading and transformation of village and town industrial clusters, effectively reduce the cost of land use for ceramic enterprises, and safeguard the land demand for ceramic industry projects (ibid at 3.3).

Establish special funds for the development of advanced manufacturing industries. In order to implement the deployment of the provincial party committee and the provincial government to support the development of the manufacturing industry, the provincial finance department has set up special funds for the development of advanced manufacturing industries (ibid at 4.1).

The focus is placed on supporting relevant advanced manufacturing projects in the province during the 14th Five-Year Plan period, including investment incentives for major advanced manufacturing, inclusive manufacturing investment incentives, support for technological transformation of enterprises, and support for the development and promotion of the first (sets of) major technical equipment. Some of the funds have been handed over to the prefectural and municipal governments to support the development of local advanced manufacturing industries (ibid at 4.1).

Implement the policy of reducing taxes and fees. Tax Offices and other departments have carefully sorted out tax policies to support the development of the manufacturing industry, strengthened policy publicity and guidance, and actively promoted the reform of tax facilitation, and created a favourable taxation and business environment. There are mainly two preferential tax policies related to the ceramic industry: one is to reduce the value-added tax rate; the other is to refund the value-added tax for some advanced manufacturing taxpayers, such as non-metallic mineral producers (ibid at 4.2).

In 2020, Chaozhou City has added a total of RMB 1.6 billion in tax reduction and fee reduction, and the manufacturing industry has accumulated a total value-added tax reduction of RMB 105 million. The non-metallic mineral products industry has enjoyed a cumulative reduction of value-added tax of RMB 48.1 million (ibid at 4.2).

Increase financial support for ceramic projects. Firstly, promote the construction of supporting facilities in industrial parks. In 2020, the provincial Finance Department has allocated RMB 500 million for the construction of supporting infrastructure in Chaozhou Lingang Industrial Park, Fengquan Lake High-tech Zone and the construction of ceramics and advanced manufacturing industry bases. In 2021, the Provincial Department of Industry and Information Technology will arrange another RMB 172.614 million to support the construction of industrial parks in Chaozhou. The project of ceramics and advanced manufacturing industry base in Fengquan

Lake High-tech Zone has been completed, and land acquisition, surveying and design work are being carried out in an orderly manner (ibid at 4.3).

Secondly, support for the construction of major projects. In order to promote the construction of the second phase of the Chaozhou Bigui Smart Sanitary Ware Project, before the end of 2023, the provincial Finance Department will give the Chaozhou Municipal Government an ex-post reward that does not exceed 30% of the actual new investment in fixed assets of the project – at most RMB 100 million. The specific funding arrangement will be implemented annually based on the actual progress of project construction and the performance of the fund use. The incentive funds are coordinated by the Chaozhou Municipal Government to support the construction of the project (ibid at 4.3).

Thirdly, support the technological transformation of enterprises. In 2021, the provincial Finance Department will arrange RMB 60.24 million to support the implementation of technological transformation projects in Chaozhou City, such as quality and efficiency improvements, smart manufacturing transformation, equipment renewal and green development through equipment incentives and loan discounts (ibid at 4.3).

Fourthly, effectively help ceramic enterprises to solve financing problems. In 2020, the city's small, medium and micro enterprise loan risk compensation fund has accumulated loans to 223 secondary ceramic enterprises, providing loans exceeding RMB 700 million (ibid at 4.3). Support ceramic enterprises to become stronger and bigger. Chaozhou City proposes to a differentiated incentive policy for ceramic enterprises. Corresponding financial incentives are awarded to enterprises that, for the first time, reach output values of RMB 50 million, RMB 100 million, RMB 500 million and RMB 1 billion. In 2021, the budget of the municipal Industry and Information Technology Department was allocated a special fund of RMB 5.05 million which will be used for financial incentive policy associated to increasing output scale (ibid at 4.4).

4 CONNECTIONS BETWEEN ENTERPRISES AND GOC/CPC

A thorough review of the backgrounds of the members of the boards of directors and the boards of supervisors shows that several individuals have ties to the party-state. These include the following:

Table 5: CPC/GOC Positions of Company Directors & Supervisors

| Name/ Company/ Company Position | Position in the CPC/GOC Source |
|---|--|
| MA Hongda Director Everjoy | Previously served as the liaison officer of Tibet Autonomous Region People’s Government’s Beijing Office, full-time secretary of the Tibet Autonomous Region Government’s General Office, and project officer of the Tibet Autonomous Region People’s Government’s Beijing Office 2017 annual report at 50 & 2018 annual report at 53, 2019 annual report at 60, 2020 annual report at 56 |
| LIU Jin Chairman of the board D&O | Previously served as a delegate to the Jianyang Municipal People’s Congress, a member of the Ziyang Municipal Political Consultative Conference, and a delegate to the Ziyang Municipal People’s Congress, and was rated as a national outstanding demobilised veteran. 2017 annual report at 74, 2018 annual report at 74, 2019 annual report at 88, 2020 annual report at 76 |
| ZHANG Qiang D&O Indep. Director | Previously served as member of the Party Committee of the Sichuan Provincial People’s Political Consultative Conference 2017 annual report at 75, 2018 annual report at 75, 2019 annual report at 89, 2020 annual report at 77 |
| CAI Zhencheng Sitong Director | Previously served as member of the Standing Committee of the Chaozhou Municipal People’s Political Consultative Conference 2017 annual report at 50, 2018 annual report at 52, 2019 annual report at 52, 2020 annual report at 77 |
| CAI Zhentong Sitong Vice board chairman and general manager | Previously served as delegate to the 13th Municipal People’s Congress of Chaozhou City 2017 annual report at 50, 2018 annual report at 52, 2019 annual report at 52, 2020 annual report at 77 |

| Name/ Company/ Company Position | Position in the CPC/GOC Source |
|---|--|
| WANG Pei Sitong Indep. Director | Previously served as staff member of the (now defunct) State Planning Commission; director and party secretary of China High-tech Investment Corporation 2018 annual report at 52, 2019 annual report at 52, 2020 annual report at 77 |
| WEI Long Sitong Indep. Director | Previously served as delegate to the 12th and 13th Municipal Political Consultative Conference of Dongguan City 2019 annual report at 52, 2020 annual report at 77 |
| WANG Huiwen Huida Chairman of the board & founder | Previously served as a delegate to the 11th National People's Congress, and successively awarded the "National Excellent Entrepreneur", "National May 1st Labour Medal", "Outstanding Entrepreneur of Hebei Province", "National Model Worker" 2017 annual report at 60, 2018 annual report at 77 |
| WANG Yanqing Huida Director | Previously served as delegate to the 12th Hebei Provincial People's Congress, and successively won the "National May 1st Labour Medal", "National Building Materials Industry Model Worker" and other honorary titles. 2017 annual report at 60, 2018 annual report at 77 |
| LI Hongwu Huida Member of the supervisory board | From November 2004 to January 2009, he served as the director of the Finance Office of Xige Town; since January 2009, he has been the director of the Finance Office of Huanggezhuang Town. 2017 annual report at 60 |

THINK!DESK also reviewed the articles of association of the various enterprises with regards to the role and function of embedded CPC organisations. This was based on the editions in force at the time of writing in December 2021. It was found that Monalisa has adjusted its charter to include provisions granting the corporate CPC organisation participation rights in the strategic decision-making process. Details are shown in the following Box 1.

Box 1: Provisions for the CPC Organisation in the Articles of Association of Monalisa

Article 95 of the articles of association stipulate that

“The company establishes a party organisation of the Communist Party of China in accordance with the provisions of the "Articles of the Communist Party of China". Establish a party work organisation and staff with party affairs staff.

Article 96 The company establishes the Party General Branch Committee. The Party General Branch Committee has one secretary and one deputy secretary. The secretary and deputy secretary shall be the directors or senior management personnel.

Article 97 The Party General Branch Committee of the Company shall perform its duties in accordance with the "Articles of the Communist Party of China" and other intra-Party regulations:

(1) Guarantee and supervise the implementation of the party and state policies in the company, and implement the relevant important work arrangements of the superior party organisation.

(2) To study and discuss the company’s reform, development and stability, major operation and management matters, and major issues involving the vital interests of employees, and make suggestions.

(3) Leading the company’s ideological and political work, united front work, spiritual civilisation construction, corporate culture construction, trade union, Communist Youth League and other work, and leading the construction of party style and clean government.”

In addition, article 98 specifies that

“Party organisation work and self-construction shall be handled in accordance with the ‘Constitution of the Communist Party of China’ and other relevant regulations”

5 LOANS FROM STATE-OWNED BANKS

Research for this report confirmed that major tile manufacturers have obtained loans from Chinese policy banks¹ and state-owned commercial banks² between 2018 and the end of June 2021. The following financing business transactions were found:

| Company/ Time | Description/ Source |
|-------------------------|--|
| D&O 2018 | On June 19, 2018, the company and D&O signed the “Maximum Guarantee Contract” with Bank of China Co., Ltd. Wuzhou Branch. The company and D&O jointly provided a joint liability guarantee with a maximum debt amount of RMB 300 million for Guangxi Ceramics to apply for comprehensive credit from Bank of China. As of December 31, 2018, the actual external guarantee amount of the company and D&O was RMB 300 million. 2018 annual report at 173-174 |
| D&O 2018 | On October 29, 2018, the company signed the “Maximum Guarantee Contract” with Bank of Communications Co., Ltd. Foshan Branch. The company applied for a comprehensive credit line from Bank of Communications for D&O to provide a joint and several liability guarantee with a maximum debt amount of RMB 35.4 million. As of December 31, 2018, the company’s actual external guarantee amount was RMB 0. 2018 annual report at 173-174 |
| D&O 2018 | On November 13, 2018, the company signed the “Maximum Guarantee Contract” with Bank of Communications Co., Ltd. Jingdezhen Branch. The company applied to the Bank of Communications for a joint and several liability guarantee with a comprehensive credit line of RMB 44 million for Jingdezhen Ceramics. As of December 31, 2018, the company’s actual external guarantee amount was RMB 33.9183 million. 2018 annual report at 173-174 |
| D&O 2018 | On December 27, 2018, the company signed the “Maximum Guarantee Contract” with Bank of China Co., Ltd. Jingdezhen Branch. The company applied to Bank of China for a joint liability guarantee with a maximum debt amount of RMB 65 million for Jingdezhen Ceramics. As of December 31, 2018, the company’s actual external guarantee amount was RMB 23.0418 million. 2018 annual report at 173-174 |

¹ Agricultural Development Bank of China, China Development Bank and China Import Export Bank

² Agricultural Bank of China, Bank of China, Bank of Communications, China Construction Bank and Industrial and Commercial Bank of China

| | |
|-------------------------|---|
| D&O 2018 | <p>On December 27, 2018, the company signed the “Maximum Guarantee Contract” with Bank of China Co., Ltd. Jingdezhen Branch. The company applied to Bank of China for a joint liability guarantee with a maximum debt amount of RMB 50 million for Jingdezhen Ceramics. As of December 31, 2018, the company’s actual external guarantee amount was RMB 30 million.</p> <p>2018 annual report at 173-174</p> |
| Sitong 2018 | <p>The decrease in net cash flow outflow from financing activities was mainly due to the increase in borrowings from China Construction Bank Chaozhou Branch in the previous year and the repayment of borrowings from China Minsheng Bank Shantou Branch and China Construction Bank Chaozhou Branch.</p> <p>2018 annual report at 17</p> |
| Everjoy 2018 | <p>The company has handled the “Maximum Mortgage Contract” with the No. 2 Business Department of Industrial and Commercial Bank of China Shanghai Branch with the buildings with a net value of RMB 33,372,878.81 and the land use rights with a net value of RMB 30,652,356.02 as collateral. The loan amount is equivalent to RMB 250.25 million. As of December 31, 2018, the company has actually borrowed the short-term loan from the No. 2 Business Department of Industrial and Commercial Bank of China Shanghai Branch with the mortgage and recourse accounts receivable financing of RMB 194.95 million.</p> <p>2018 annual report at 23</p> <p>As of December 31, 2019, the outstanding loan amount was RMB 195 million.</p> <p>2019 annual report at 27</p> <p>As of December 31, 2020, the outstanding loan amount was RMB 172 million.</p> <p>2020 annual report at 24</p> <p>As of June 30, 2021, the outstanding loan amount was RMB 122 million.</p> <p>2021 semi-annual report at 126-127</p> |
| Huida | <p>The company applied to the China Import Export Bank for a long-term loan, starting March 19, 2021, expiring March 17, 2023 at an interest rate of 3.1%.</p> <p>2021 semi-annual report at 134</p> |
| Dongpeng | <p>Bank of Communications Co., Ltd. Foshan Branch granted a credit line of RMB 215 million to Dongpeng Holdings (from January 24, 2019 to January 24, 2021). The credit line is guaranteed by Dongpeng Sanitary Ware within the limit of no more than RMB 180 million.</p> <p>On March 19, 2019, Chongqing Yongchuan Sub-branch of Agricultural Bank of China Co., Ltd. and Chongqing Smart Furniture signed a fixed assets loan contract with an agreed loan amount of RMB 600 million for a period of 8</p> |

years and floating interest rate. The loan contract is guaranteed by Dongpeng Holdings with an amount of not more than RMB 810 million. Chongqing Smart Furniture provides a maximum mortgage guarantee of not more than RMB 810 million. Collateral takes the form of land use rights in Sanjiao Industrial Park, Yongchuan District, Chongqing City owned by Chongqing Smart Furniture.

On September 25, 2019, Bank of China Co., Ltd. Fengcheng Sub-branch and Fengcheng Dongpeng signed a fixed assets loan contract, stipulating that the loan amount is RMB 200 million, the term is 48 months and the interest rate is floating. The loan is guaranteed by Dongpeng Holdings. Dongpeng provides a maximum mortgage guarantee of not more than RMB 240 million. Collateral takes the form of land use rights owned by Fengcheng Dongpeng.

Bank of Communications Co., Ltd. Foshan Branch granted credit in the amount of RMB 300 million to Dongpeng Development RMB 240 million to Foshan Sanitary Ware and RMB 250 million to Dongpeng Sanitary Ware. The above three credit lines are respectively guaranteed by Dongpeng Holdings with a maximum amount of not more than RMB 200 million.

IPO Prospectus at 817ff

6 PREFERENTIAL TAX POLICIES

6.1 EIT Privileges for High and New Technology Enterprises

High and New Technology Enterprises (HNTE) represent a subset of technology-intensive companies that operate processes or manufactures products to which the GOC attributes priority. It is important to highlight that only a fraction of enterprises engaging in high technology fields qualify as HNTE.

The latter have to conform to a large spectrum of performance indicators and undergo a multi-stage application and vetting processes before being recognised as and conferred the title HNTE. Companies typically have to make substantial efforts to demonstrate they meet all conditions and succeed in approval procedures that involve various functional government departments at different hierarchy levels and may take up to a year to conclude.

The benefits of HNTE status are very tangible. Enterprise benefit from a reduced enterprise income tax (EIT) rate, receive special subsidies and enjoy priority access to special funding and government projects. HNTE status also translates into reputational benefits, for example allowing improved access to loans and other means of external financing. While it is conferred only for a limited duration (typically three years), HNTE status is a source of great pride to executives and award plaques are prominently displayed online and offline.

This report uses the literal but somewhat bulky translation of the Chinese 高新技术企业 is used in order to highlight the difference to “ordinary” companies engaging in high technology areas.

Government departments on the provincial level are tasked with reviewing companies’ applications and administering preferential tax policies. Companies seeking HNTE certification have to engage in one of ten specified fields of technology research, including microelectronics and IT, aviation and aerospace, life science and biotech as well as seven others. Importantly, companies have to conduct their own research, possess proprietary technology and engage in the commercialisation of their own intellectual property.

Enterprises inside zones had to demonstrate that R&D related expenses accounted for 3 percent of gross revenues (4 percent for others). At least half of the latter has to be generated by marketing proprietary technology itself, through licensing, and sales of products which incorporate said technology (70 percent for other companies) (STDC 1991 at 5.7; MOST 1996 at 5.7). Furthermore, companies had to demonstrate that no less than 30 percent of their work force had college or university degrees (20 percent for service sector companies). 10 percent of the employees had to be directly occupied with R&D tasks (STDC 1991 at 5.4; MOST 1996 at 5.4). Benchmarks facing companies located outside of High and New Technology Zones were more demanding and comprehensive. However, requirements for “Zone

companies” were raised in 2000 to further sharpen the focus on innovation and R&D (MOST 2000).

HNTE regulation in its current was issued in mid-2008, shortly after the *EIT Law* entered into force (MOST, MOF and SAT 2008). It draws heavily on previous provisions but puts away with location specific differences and strengthened regulation for research related service providers. It introduced a list of 213 favoured technologies, subsumed under eight National Supported Key High and New Technology Fields, to replace the broadly outlined ten technology fields of earlier documents. The list is characterised by a high degree of detail and specificity with regard to preferred research areas.

The MOST is joined by the MOF and the SAT in administering the HNTE scheme. This move greatly strengthened the implementation of HNTE programmes as the SAT is tasked with handling tax breaks and the MOF is overseeing the disbursement of subsidies. Together, the three government bodies form a leading small group with an office based at the MOST (MOST, MOF and SAT 2008 at 2.6).

Against this background, the 2008 *EIT Law* grants HNTEs a reduced corporate income tax of 15 percent (instead of the regular 25 percent). Accreditation and supervisory work is handled by the State Administration of Taxation on the local government level (NPC 2007b).

Several ceramic manufacturers have been recognised as HNTE and thus benefited from a reduced enterprise income tax rate of 15 percent.

Table 6: Reduced EIT Rate for High and New Technology Enterprises

| Enterprise | Period | Source |
|--|------------|---|
| Huida | 2017-2022 | 2018 AR at 131, 2019 AR at 141, 2020 AR at 137 |
| Monalisa | since 2015 | 2018 AR at 117, 2019 AR at 141-142, 2020 AR at 142-143 |
| -- subsidiary Guangdong Qingyuan Monalisa Ceramics Co., Ltd. | from 2020 | 2020 AR at 142-143, 2021 SAR 96-97 |
| Sitong | 2018-2020 | 2018 AR at 96, 2019 AR at 117, 2020 AR at 137 |
| D&O | 2017-2022 | 2018 AR at 124-125, 2019 AR at 153, 2020 AR at 142-143, 2021 SAR at 106-107 |

| Enterprise | Period | Source |
|--|-----------|---|
| -- subsidiary Jingdezhen D&O | 2018-2020 | 2018 AR at 124-125, 2019 AR at 153, 2020 AR at 142-143, 2021 SAR at 106-107 |
| -- subsidiary Yunshang Technology Co., Ltd. | 2018-2020 | 2018 AR at 124-125, 2019 AR at 153, 2020 AR at 142-143 |
| -- subsidiary Guangxi Ceramics Co., Ltd. | 2019 | 2019 AR at 153 |
| Everjoy | | |
| -- subsidiary Jiangxi Smike Ceramics Co., Ltd. | | 2018 AR at 101-102, 2019 AR at 124-125, 2020 AR at 119, 2021 SAR at 94 |
| -- subsidiary Shanghai Smike Health Environment Technology Co., Ltd. | | 2018 at 101-102, 2019 AR at 124-125, 2020 AR at 119, 2021 SAR at 94) |
| Dongpeng | | |
| -- subsidiary Qingyuan Nafuna Co., Ltd. | 2019-2021 | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Fengcheng Dongpeng Ceramics Co., Ltd. | 2017-2022 | |
| -- subsidiary Manxian Xinpeng | | |
| -- subsidiary Lixian Xinpeng Ceramics Co., Ltd. | 2019-2022 | |
| -- subsidiary Foshan Dongpeng Sanitary Ware Co., Ltd. | 2019-2021 | |
| -- subsidiary Jiangxi Dongpeng Sanitary Ware Co., Ltd. | 2018-2023 | |
| -- subsidiary Foshan Donghua Shengchang New Materials Co., Ltd. | 2015-2022 | |
| -- subsidiary Jiangmen Dongpeng Smart Home Co., Ltd. | 2021-2023 | |

6.2 EIT Privileges in the Context of Regional Development Programmes

The Great Western Development Programme (西部大开发) was the first in a series of high-profile regional development policies. Launched in 2000, it targets 12 provincial-level regions and selected neighbouring counties³ that together account for over 70% of the national

³ The “Western Regions” include Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region,

territory but less than 30% of population and only about 20% of national GDP. The GWDP aimed to improve living conditions and strengthen the economy of hinterland regions that have benefitted less from China's opening and modernisation than coastal provinces. Besides massive investments in the construction of energy, transportation, communication and other types of basic infrastructure, the GOC sought to stimulate economic activity through attracting industrial investment.

In 2003, the GWDP was complemented by a *Plan to Revitalise Old Industrial Bases in North East*. The programme was launched by then Premier Wen Jiabao in 2003 to economically rejuvenate the provinces of Heilongjiang, Jilin and Liaoning (CPC Central Committee and State Council 2003). As centre of heavy industry since WWII, the region suffers from the restructuring of the state-owned economy, rising unemployment, anaemic growth, environmental problems and rampant corruption. In 2006, the central government under President Hu Jintao and Premier Wen Jiabao released the *Rise of Central China Plan* (CPC Central Committee and State Council, 2006). This initiative covers the inland provinces of Shanxi, Henan, Anhui, Hubei, Hunan and Jiangxi which to varying degrees have also been left out of China's economic growth and development.

To the present, the GWDP as the largest regional development programme with the strongest financial backing. It aims to help companies modernise and upgrade their equipment, improve technology levels, product portfolios, quality standards and raise overall competitiveness (State Council 2000 at 1 and 2).

The Programme introduced several preferential policies, some of which are available to industrial enterprises. Banks are called upon to step up loan issuances in Programme areas and to increase the business share of Programme areas in their loan portfolios. Major projects with large investment volumes and long gestation periods should benefit from loan facilities with extended durations. Loan business should focus on enterprises undertaking technology renovation plans and high technology enterprises as well as a number of other priority targets (at 2.4).

Industrial enterprises that locate in the Programme area and manufacture products or operate technologies contained in the *Guidance Catalogue for Industrial Structure Adjustment* are eligible for a reduced enterprise income tax rate of 15 percent. The Guidance Catalogue has been amended several times since 2005. Its most recent edition was issued in 2019 (NDRC 2019).

Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region and Xinjiang Production and Construction Corps. Xiangxi Tujia and Miao Autonomous Prefecture in Hunan Province, Enshi Tujia and Miao Autonomous Prefecture in Hubei Province, Yanbian Korean Autonomous Prefecture in Jilin Province and Ganzhou City in Jiangxi Province may follow the enterprise income tax policies drafted for the Western Regions.

Enterprises with foreign investment may benefit from the same tax break if their operations are included in the *Catalogue of Encouraged Industries for Foreign Investment in Central and Western Regions*. Since it was first released in 2000, the Catalogue has also been updated every 3-4 years. Its most recent edition was issued in 2020 (NDRC 2020).

In 2001, the GOC determined that in order to be eligible, the encouraged operations had to account for 70 percent of an enterprise’s main business income. It also limited the duration of tax benefits to the period of 2001 to 2010 (MOF, SAT and GAC 2001 at 2). The SAT extended this period to 2020 in 2011 (SAT 2011 at 2).

Enterprises that engage in encouraged activities can also benefit from the exemption of VAT and import tariffs for equipment for own use. Exceptions apply for imports covered by the *Catalogues of Imported Commodities Not Exempted from Tax* for domestic and foreign invested projects.

The following ceramics enterprises have taken advantage of this tax privilege:

Table 7: Reduced EIT Rate related to the Great Western Development Programme

| Enterprise | Period | Source |
|--|-----------|--|
| Monalisa | | |
| Guangxi Mona Lisa New Materials Co., Ltd. | 2020 - | 2020 AR at 142-143, 2021 SAR at 96-97 |
| D&O | 2018 - | (2018 AR at 124-125, 2019 AR at 153, 2020 AR at 142-143, 2021 SAR at 106-107 |
| Dongpeng | | |
| Chongqing Dongpeng Co., Ltd. | 2018-2020 | IPO Prospectus at 572-574 |
| Chongqing Shiwan Dongpeng Ceramics Co., Ltd. | 2019-2024 | 2020 AR at 142 |

6.3 Investment incentives of Guangxi Zhuang Autonomous Region

In February 2014, the State Taxation Bureau of Guangxi Zhuang Autonomous Region issued the *Circular on Preferential Tax Policies for Newly Established Industrial Enterprises*. The document stipulates that starting January 1, 2013, newly established industrial enterprises in Guangxi Zhuang Autonomous Region shall be exempted from the proportion of EIT received

by the local government beginning from the tax year in which the first main business income is obtained.

Industrial enterprises that are newly established in poverty-stricken counties recognised by the national government and that meet the conditions of the “encouraged” category of the national *Guidance Catalogues* are exempted from EIT during the first five years of operation (starting from the first year of registering main business income). In addition, for the following five years, they only pay half of the EIT attributed to local governments.

According to the *Circular on Clarifying the Ratio of Central and Local Income Tax Revenue Sharing*, issued by the State Council in 2013, central and local governments share EIT revenues at rates of 60% and 40%, respectively. This translates into an effective EIT rate during the first five years of operations of only 15%.

Table 8: Tax Incentives for Industrial Enterprises in Guangxi Zhuang AR

| Enterprise | Period | Source |
|--|-----------|---|
| Monalisa | | |
| -- subsidiaries Guangxi Monalisa New Materials Co., Ltd. | 2019 - | 2019 AR at 141-142, 2020 AR at 142-143, 2021 SAR at 96-97 |
| -- subsidiaries Guangxi Merqi Building Materials Co., Ltd. | 2019 - | 2019 AR at 141-142, 2020 AR at 142-143, 2021 SAR at 96-97 |
| D&O | 2018-2019 | 2018 AR at 124-125, 2019 AR at 153 |
| -- subsidiary Guangxi Ceramics Co., Ltd. | 2020 - | 2020 AR at 142-143, 2021 SAR at 106-107 |

6.4 Investment incentives in Tibet Autonomous Region

For various enterprises located in Tibet Autonomous Region, the local government has cut the EIT rate to 15% from the regular 25% from 2011 to 2020 (Tibet Autonomous Region 2011).

Table 9: Tax Incentives for Industrial Enterprises in Tibet AR

| Enterprise | Period | Source |
|---|-----------|---------------------------|
| Dongpeng | | |
| -- subsidiary Linzhi Yuhe Co., Ltd. | 2018-2020 | IPO Prospectus at 572-574 |
| -- subsidiary Duilong Deqing Heying Co., Ltd. | 2018-2020 | IPO Prospectus at 572-574 |

| Enterprise | Period | Source |
|--|-----------|---------------------------|
| -- subsidiary Duilong Deqing Yuwei Co., Ltd. | 2018-2020 | IPO Prospectus at 572-574 |
| -- subsidiary Duilong Deqing Lujia Co., Ltd. | 2018-2020 | IPO Prospectus at 572-574 |

6.5 EIT Privileges for Small-size Low-profit Enterprises

In order to support small-sized and low-profit enterprises, the MOF and the SAT have issued the *Circular on Implementing Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises*. It specifies that for the part of taxable income below RMB 1 million, EIT is calculated based on only 75% of the actual amount and at a reduced tax rate of 20%. For the part of taxable income exceeding RMB 1 million but not exceeding RMB 3 million, EIT is calculated based on only half the actual amount and at a reduced rate of 20%. To be eligible, enterprises must not be active industries deemed restricted or prohibited by the state and must have a taxable income not exceeding RMB 3 million, a workforce not exceeding 300 employees and total assets not exceeding RMB 50 million (MOF and SAT 2019 and SAT 2019).

Table 10: Tax Privileges for Small-size Low-profit Enterprises

| Enterprise | Period | Source |
|--|--------|--------------------------------|
| Huida | | |
| -- subsidiaries Beijing Huida Shiyang Network Technology Co., Ltd. | 2019 - | 2019 AR at 141, 2020 AR at 137 |
| -- Tangshan Fengnan District Huida Oil Products Co., Ltd. | 2019 - | 2019 AR at 141, 2020 AR at 137 |
| -- Tangshan Huimi Smart Home Technology Co., Ltd. | 2019 - | 2019 AR at 141, 2020 AR at 137 |
| -- subsidiary Ji'an Huida Technology Co., Ltd. | 2020 - | 2020 AR at 137 |
| Sitong | | |
| Chaozhou Fengda Craft Co., Ltd. | 2019 | 2019 AR at 117 |
| D&O | 2020 | 2020 AR at 142-143 |
| -- subsidiary Tianjin Building Materials Co., Ltd. | 2020 | 2020 AR at 142-143 |
| -- subsidiary Shenyang Ceramics Co., Ltd. | 2020 | 2020 AR at 142-143 |

| Enterprise | Period | Source |
|--|--------|--|
| -- subsidiary Shandong Building Materials Co., Ltd. | 2020 | 2020 AR at 142-143 |
| Everjoy | | |
| -- subsidiary Chongqing Smike Building Materials Chain Operation Co., Ltd. | | 2018 AR at 101-102, 2019 AR at 124-125, 2020 AR at 119, 2021 SAR at 94 |
| -- subsidiary Xi'an Smike Building Materials Co., Ltd. | | 2018 AR at 101-102, 2019 AR at 124-125, 2020 AR at 119, 2021 SAR at 94 |
| -- subsidiary Chengdu Smike Building Materials Chain Operation Co., Ltd. | | 2018 AR at 101-102, 2019 AR at 124-125, 2020 AR at 119, 2021 SAR at 94 |
| Dongpeng | | |
| -- subsidiary Duilong Deqing Lujia | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Dongpeng Forestry Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Lin Yigeyu | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Shaanxi Dongpeng Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Gaoming Wenchang Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Guangzhou Dongpeng Ceramics Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Shunde Dongpeng Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Guangxi Yuepeng Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Guangdong Yinai Sanitary Ware Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Dongpeng Home Furnishing Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Foshan Letao Ceramics Technology Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| -- subsidiary Guangdong Penghong Innovation Technology Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |

| Enterprise | Period | Source |
|---|--------|--|
| -- subsidiary Jiangmen Pengmei Co., Ltd. | 2019- | IPO Prospectus at 572-574, 2020 AR at 142, 2021 SAR at 75-76 |
| Foshan Shunde Dongpeng Ceramics Sales Co., Ltd. | 2020- | 2020 AR at 142, 2021 SAR at 75-76 |
| Jiangmen City Pengmei Lujia Kitchen and Bathroom Technology Co., Ltd. | 2020- | 2020 AR at 142, 2021 SAR at 75-76 |

6.6 Tax Privileges for Encouraged Products

Huida Smart Home (Chongqing) Co., Ltd. benefits from a reduced EIT rate of 15% because it has adjusted its products to meet the requirements of the “encouraged” category of the *Guidance Catalogue for Industrial Structure Adjustment* (NDRC 2019) (The capacity of flush containers for sitting and squatting toilets as well as urinals has been reduced to 6 litres.) (2018 AR at 131, 2019 AR at 141)

Starting from 2020, Guangxi Monalisa New Materials Co., Ltd. qualifies for the reduced EIT rate of 15% because its high-end and smart building ceramic production project of an annual output of 72 million m² conforms to the “encouraged” category of the *Guidance Catalogue for Industrial Structure Adjustment* (NDRC 2019) (Building Materials/Development and application of quality traceability system for building materials used in engineering or equipment) (2020 AR at 142-143. 2021 SAR at 96-97).

Everjoy subsidiary Shanghai Smike Health Environment Technology Co., Ltd. enjoys a 50% rebate on VAT for its novel type of health panel, i.e. fibre-reinforced calcium silicate panel, based on the provisions of the 2015 *Circular on Value-Added Tax Policy for New Wall Materials* (MOF and SAT 2015) (Everjoy 2018 AR at 10-102, 2019 AR at 124-125, 2020 AR at 119, 2021 SAR at 94).

6.7 Tax Privileges for Employment of Disabled Persons

In 2007, the GOC created tax incentives for enterprise employing disabled persons (MOF and SAT 2007 and SAT, MCA and CDPF 2007). Tax authorities refund VAT or reduce business tax according to the actual number of disabled persons employed. Regulations were updated in 2016 (MOF and SAT 2016 and SAT 2016).

D&O has benefitted from this provision (2018 AR at 124-125, 2019 AR at 153, 2020 AR at 142-143, 2021 SAR at 106-107).

In addition, the *Enterprise Income Tax Law* (NPC 2008 at 4.32.2) and the *Implementation Regulations for the Enterprise Income Tax Law* (SC 2009 at 96) allow for a 100% overproportional deduction of salaries paid to persons with disabilities.

D&O has benefitted from this provision since 2018, as have its subsidiaries Jingdezhen D&O Co., Ltd. and Guangxi D&O Co., Ltd. since 2021 (2018 AR at 124-125, 2019 AR at 153, 2020 AR at 142-143, 2021 SAR at 106-107).

6.8 Unspecified Tax Reductions and Exemptions

According to a notice of No. 1 Local Tax Office of Jianyang City (Sichuan Province), D&O prepaid EIT for 2018 at a reduced rate of 15% (2018 AR at 124-125)

According to a notice of the State Tax Office of Wenjiang District of Chengdu City, D&O subsidiary Yakeli Panels prepaid EIT for 2018 at a reduced rate of 15% (2018 AR at 124-125).

Based on the 2016 *Circular on Comprehensively Launching the Pilot Programme of Replacing Business Tax with Value-added Tax* (MOF and SAT 2016b), several subsidiaries of Everjoy have enjoyed a VAT exemption for medical and health institutions: Shanghai Yuexin Comprehensive Outpatient Department Co., Ltd. (2018-2021 H1), Guangzhou Yuexin General and Specialist Outpatient Clinic Co., Ltd. (2018-2019) Quanjiao Tongren Hospital Co., Ltd. (2018-2020), Xuzhou Xuyi Yuexin Traditional Chinese Medicine Clinic Co., Ltd. (2020- 2021H1) and Quanjiao Tongde Love Hospital Co., Ltd. (2021 H1) (Everjoy 2018 at 101-102, 2019 AR at 124-125, 2020 AR at 119, 2021 SAR at 94)

Everjoy subsidiary American Sunstar Reproductive Centre Co., Ltd. paid EIT at a reduced rate of 15% in 2018 (2018 at 101-102, 2019 AR at 124-125, 2020 AR at 119, 2021 SAR at 94)

7 GOVERNMENT SUBSIDIES

7.1 Introductory remarks

Since 2018, Chinese manufacturers of ceramic tiles have received substantial subsidies. Covering six leading enterprises, this report offers a limited glimpse that already illustrates very significant financial assistance. THINK!DESK has compiled data on two types of subsidies: profit and loss relevant subsidies and deferred income subsidies. Put very simply, the former have an immediate impact on the net income of the year in which they are registered, while the latter may stay on the books for years before being realised as income. In the following, the term subsidy refers to profit/loss relevant government assistance. Proper definitions and additional information on both are provided in Box 2.

Subsidies total close to RMB 1 billion for the six companies over a 3.5 half year period. Table 14 which displays the receipts by enterprise and year, shows that amounts have remained fairly stable and gives no indication of a decline. In order to shed light on the provenance, purpose and other property of subsidies, THINK!DESK has carefully reviewed the information provided in enterprises' financial statements. As the degree of detail provided by various companies and over time differs, a solid but incomplete picture can be formed.

In the following, Table 11 and Table 12 list the 20 largest individual receipts registered by the companies as profit/loss relevant and deferred income subsidies, respectively.

Table 13 provides an overview of the 20 biggest deferred income subsidy positions carried on the enterprises' books at the beginning the review period (01.01.2018). Table 14 and Table 16 over summaries on the subsidies received by company and year while Table 15 draws the connection to their net incomes. It showcases the proportion of subsidies contained in net profits or, in case of net losses, it indicates by how much said losses were curtailed thanks to the subsidies.

Table 11: Top20 Individual Subsidy (P/L relevant) Receipts (2018-2021H1)

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|--|---------------|
| 2020 | Dongpeng | Enterprise Development Support Fund | 96,950,453.53 |
| 2019 | Dongpeng | Industrial Development Fund - In order to encourage entities to settle in and speed up the construction of industrial parks, Yongchuan District, Chongqing will return supporting facilities fees | 54,643,600.00 |
| 2019 | D&O | Subsidies for business development | 48,747,856.44 |
| 2021H1 | Dongpeng | Enterprise Development Support Fund | 40,974,696.86 |
| 2018 | Dongpeng | Enterprise Development Support Fund – Investment incentives from Duilongdeqing County, Lhasa City | 38,851,000.00 |
| 2020 | D&O | Subsidies for business development | 29,695,124.69 |
| 2018 | Dongpeng | Refund of supporting facilities fee - In order to encourage entities to settle in and speed up the construction of industrial parks, Yongchuan District, Chongqing City will refund the supporting facilities fees | 27,189,700.00 |
| 2018 | D&O | VAT refund | 26,852,640.00 |
| 2019 | D&O | VAT refund | 26,624,400.00 |
| 2020 | D&O | VAT refund | 23,852,400.00 |
| 2018 | Monalisa | 2016 Beidouxing Enterprise Support and Incentive Fund | 23,064,400.00 |
| 2019 | Dongpeng | Enterprise Development Support Fund - A special enterprise development support fund established by Fengcheng Finance Dept. to attract and support corporate headquarters | 20,000,000.00 |
| 2019 | Dongpeng | Rewards and Subsidy Funds for Technological Transformation - Qingyuan Municipal Bureau of Economy and Information Technology. Encourage technical transformation of industrial enterprises | 19,633,200.00 |
| 2019 | D&O | Employment subsidy | 18,943,580.22 |

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|---|---------------|
| 2020 | Huida | Employment stabilisation subsidy | 18,238,259.92 |
| 2021H1 | D&O | Unspecified subsidy | 15,006,910.53 |
| 2020 | Monalisa | Beidouxing Support Reward | 14,650,400.00 |
| 2019 | Monalisa | Beidouxing Support Reward | 13,000,000.00 |
| 2021H1 | D&O | VAT refund | 12,375,000.00 |
| 2020 | D&O | Subsidies for science and technology research | 10,582,286.08 |

Table 12: Top20 Individual Subsidy (Deferred Income) Receipts (2018-2021H1)

| Year | Enterprise | Translated Description | Amount (RMB) |
|------|------------|--|---------------|
| 2019 | Dongpeng | Industrial Development Funds | 54,643,600.00 |
| 2020 | Dongpeng | Infrastructure construction grants | 35,160,000.00 |
| 2018 | Dongpeng | Refund of ancillary facilities fees | 27,189,700.00 |
| 2019 | Dongpeng | 2018 Ex-post award and subsidy funds for technological transformation of industrial enterprises | 16,635,500.00 |
| 2019 | D&O | Wuzhou City special fund for high-quality industrial development | 15,000,000.00 |
| 2019 | Huida | Subsidy for capital construction of the phase I of Chongqing smart home project | 11,163,024.00 |
| 2019 | Dongpeng | Refund of ancillary facilities fees | 9,710,900.00 |
| 2018 | Dongpeng | Industrial Development Funds | 8,600,000.00 |
| 2018 | Sitong | National Development Guidance Fund of Fengxi District Finance Bureau | 6,700,000.00 |
| 2018 | D&O | Jingdezhen Ceramic Infrastructure Construction Project Subsidy | 6,453,228.40 |
| 2020 | Dongpeng | Support funds for no. 5 and 6 ceramic tile production line automation technology transformation project | 5,940,000.00 |
| 2020 | Dongpeng | 2020 Provincial-level special enterprise technology transformation funds for promoting high-quality economic development | 5,010,000.00 |
| 2019 | Dongpeng | 2019 Provincial Special Project for Promoting Economic Development (Enterprise Technological Transformation) - Polished Tile Smart Manufacturing Improvement Technology Transformation Project | 4,985,200.00 |
| 2020 | Dongpeng | 2020 Provincial-level industrial enterprises reward and subsidy (inclusive) for technological transformation | 4,785,500.00 |
| 2020 | Dongpeng | Funds for ceramic enterprise production line "coal to gas" transition project | 4,500,000.00 |

| Year | Enterprise | Translated Description | Amount (RMB) |
|------|------------|--|--------------|
| 2020 | Dongpeng | Funds for ceramic enterprise production line “coal to gas” transition project | 4,500,000.00 |
| 2018 | D&O | Subsidy for the technical transformation project of using industrial waste to produce eco-friendly decoration materials | 4,218,750.00 |
| 2019 | Dongpeng | 2019 Provincial Special Fund for Promoting Economic Development (Enterprise Technological Transformation)-Special Fund for Polished Tile Smart Improvement Technology Transformation Project | 3,518,600.00 |
| 2020 | Huida | Funds for technological transformation of industrial enterprises | 3,260,000.00 |
| 2019 | Dongpeng | 2019 Provincial industrial enterprise technical transformation rewards and subsidy (provincial + municipal) | 3,174,500.00 |

Table 13: Top20 Individual Subsidy (Deferred Income) Stock Items at 31.12.2017

| Enterprise | Translated Description | Amount (RMB) |
|------------|--|---------------|
| Huida | Funds for construction of employee apartments | 41,591,350.11 |
| Huida | Compensation of land levelling fee, infrastructure construction expenses | 27,027,894.33 |
| Huida | Reconstruction and Expansion Project of Huida Group | 17,174,416.66 |
| Sitong | Technology Innovation and Industrialization Demonstration Project of Recycling and Utilization of Building Sanitary Ceramic Waste | 17,000,000.00 |
| Huida | Subsidies for major energy conservation, circular economy and resource conservation projects | 9,166,666.59 |
| Huida | Subsidies for high pressure grouting engineering | 9,039,999.96 |
| Sitong | Transformation and upgrading of daily-use ceramics and energy-saving demonstration projects for wide-body tunnel kilns in colleges and universities | 9,000,000.00 |
| Dongpeng | Funds for resource conservation and recycling key projects | 7,828,200.00 |
| Huida | Energy System Optimization Project | 7,822,700.92 |
| Monalisa | Clean production special funds | 7,739,743.88 |
| Huida | Subsidies for sanitary ceramics and packaging plant technical transformation projects | 6,898,051.51 |
| Dongpeng | Support funds for smart manufacturing comprehensive standardization and new model application project | 6,064,600.00 |
| Sitong | Funds for key energy conservation projects | 6,000,000.00 |
| Huida | Bathtub production line renovation project | 5,135,176.72 |
| Sitong | High thermal stability, high strength bone china research and development technical group | 5,000,000.00 |
| Huida | Annual production of 2.8 million pieces of sanitary ceramics production line project | 4,499,999.99 |
| Huida | Wastewater treatment project | 4,478,500.08 |
| Sitong | Technological transformation of waste heat utilization of sanitary ceramic automatic grouting production line and smart tube panel of kiln | 4,080,000.00 |
| Sitong | Display art porcelain creative design industrial park construction | 4,000,000.00 |
| Sitong | Transformation and upgrading of high-end reinforced porcelain and technical transformation project for the application of high-efficiency firing results in tunnel kilns | 4,000,000.00 |

Table 14: Summary of Subsidies (P/L relevant)

| | 2018 | 2019 | 2020 | 2021 H1 | Total |
|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Dongpeng | 66,040,700.00 | 94,276,800.00 | 148,552,096.29 | 69,859,805.12 | 378,729,401.41 |
| Everjoy | 15,583,041.74 | 9,621,384.82 | 8,098,105.23 | 5,230,244.72 | 38,532,776.51 |
| Huida | 17,388,439.01 | 17,587,462.79 | 40,208,369.51 | 10,316,918.38 | 85,501,189.69 |
| Monalisa | 44,025,501.27 | 42,740,627.90 | 37,865,876.36 | 21,627,813.52 | 146,259,819.05 |
| D&O | 55,775,460.27 | 111,388,769.73 | 76,728,353.07 | 27,381,910.53 | 271,274,493.60 |
| Sitong | 6,215,708.86 | 6,063,870.19 | 12,353,741.00 | 6,109,016.79 | 30,742,336.84 |
| Total | 205,028,851.15 | 281,678,915.43 | 323,806,541.46 | 140,525,709.06 | 951,040,017.10 |

Source: Enterprises' financial reports

Table 15: Subsidies (P/L relevant) Relative to Net Incomes

| | 2018 | 2019 | 2020 | 2021 H1 | Average |
|-----------------|-------|-------|-------------|---------|---------|
| Dongpeng | 8.3% | 11.9% | 17.5% | 13.2% | 12.8% |
| Everjoy | 69.6% | 26.0% | 14.2% | 21.1% | 27.3% |
| Huida | 6.7% | 5.1% | 12.7% | 8.4% | 8.2% |
| Monalisa | 12.1% | 9.9% | 6.7% | 7.3% | 8.8% |
| D&O | 14.8% | 20.0% | 13.6% | 10.1% | 15.4% |
| Sitong | 14.5% | 13.7% | (*1) -71.7% | 19.8% | 27.2% |
| Average | 11.1% | 12.7% | 13.8% | 11.0% | 12.4% |

(*1) Sitong registered a net loss of RMB 4,876,469.19 in 2020. Thanks to the subsidies received during that year, net losses were reduced by 71.7%.

Source: Enterprises' financial reports

Table 16: Summary of Subsidies (Deferred Income)

| | Stock at 31.12.2017 | 2018 | 2019 | 2020 | 2021 H1 | Total (2018-2021H1) |
|-----------------|--------------------------------|----------------------|-----------------------|----------------------|---------------------|--------------------------------|
| Dongpeng | 19,518,500.00 | 39,173,900.00 | 95,928,800.00 | 67,436,600.00 | 3,756,000.00 | 206,295,300.00 |
| Everjoy | 3,340,000.00 | 0.00 | 680,600.00 | 0.00 | 0.00 | 680,600.00 |
| Huida | 151,170,398.12 | 900,000.00 | 11,163,024.00 | 3,260,000.00 | 0.00 | 15,323,024.00 |
| Monalisa | 12,022,786.67 | 400,000.00 | 0.00 | 0.00 | 0.00 | 400,000.00 |
| D&O | 3,510,500.00 | 18,452,217.15 | 15,000,000.00 | 2,875,700.00 | 5,523,100.00 | 41,851,017.15 |
| Sitong | 59,335,454.34 | 7,200,000.00 | 1,500,000.00 | 1,500,000.00 | 0.00 | 10,200,000.00 |
| Total | 248,897,639.13 | 66,126,117.15 | 124,272,424.00 | 75,072,300.00 | 9,279,100.00 | 274,749,941.15 |

Source: Enterprises' financial reports

Box 2: Definition and Accounting Treatment of Subsidies

1. Types

Government subsidies (subsidies for short) represent monetary or non-monetary assets obtained free of charge by an enterprise from the government. Subsidies are pertinent to either assets or income.

Subsidies related to assets are tied to the primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.

Subsidies related to income cover all other situations

2. Recognition

Subsidies related to assets shall be recognized

- (a) by deducting them at the caring amount of the assets or
- (b) by recognizing them as deferred income. Such subsidies shall be recognized in the profit or loss over the relevant periods during the useful lives of the corresponding assets.

Subsidies related to incomes fall into two categories. Those intended to

- (a) compensate future expenses shall be recognized as deferred income and transferred to profit or loss in relevant periods
- (b) compensate expenses or losses already incurred shall be recognized in current profit and loss

Subsidies related to daily activities shall be recorded in "Other Income".

Subsidies unrelated to daily activities shall be recorded in "Non-operating Income".

3. Policy Loans

Policy loans obtained by an enterprise may fall into two categories:

- (a) The government allocates funds to the lending bank which then provides loans to the enterprise in question at a preferential interest rate. The preferential interest rate is used to calculate the relevant borrowing costs.
- (b) The government directly allocates funds to the company which are then offset against relevant borrowing costs and directly accounted for the current profit or loss or recognized as deferred income.

In terms of their provenance, subsidies are predominantly provided by lower-level governments. Available information suggest that municipal and district/county level authorities are responsible for most financial assistance. This observation falls in line with the relatively high level of attention and planning of local governments.

In terms of their purpose or aim, most subsidies fall into a limited number of categories that match the topic areas of industrial policy. The remainder of this chapter discusses those topical areas in turn by showcasing the largest individual subsidies along with some explanatory remarks.

7.2 Subsidies for Environmental Protection

Following the global financial crisis, the GOC has consistently tightened environmental performance standards. Greening of the industrial sector represents a pillar of the country's drive for High-quality Development and features prominently in the Ecological Civilization concept developed by general secretary Xi Jinping and adopted into the constitution. On the other hand, the proliferation and tightening of related regulation is being instrumentalised to accelerate the streamlining of fragmented industries. This is not just the case in sectors plagued by overcapacity, like steel or aluminium, but also in fragmented industries that are resource-intensive and/or polluting.

As mentioned earlier, localities have been alerted to take their supervision duties of large energy consumers and potential polluters seriously. National objectives for carbon peaking and neutrality have yet to be fleshed out and transformed into concrete industry-specific road maps. Existing targets, like the caps on energy consumption and energy intensity, have received more attention. At the same time, industry standards drafted over the previous 10 years have broadly defined the equipment that can be operated and the put forth legally binding limits on pollutant emissions and resource efficiency.

China Ceramics Furnishing Net reported that local governments in key ceramics production areas, such as Qingyuan (Guangdong Province), Yunfu, Gao'an (both Jiangxi Province) and Jiajiang (Sichuan Province) have ordered individual factories to suspend operations until regulatory violations have been rectified. Unfortunately, little concrete information is available as to the identity of companies subject to temporary production suspension or even mandatory closure.

During the heating season, and especially for the duration of the Beijing Winter Olympics, industrial enterprises in the Beijing-Tianjin-Hebei Region, but also in parts of Henan, Shandong and Shanxi have been subject to particularly tight regulations for energy consumption and air pollution. These call for proportional output reduction, e.g. a cut by 50% compared to regular times, or stoppages during certain periods, e.g. production may take place only on certain days or a certain number of days every week.

Since 2017, the Ministry of Ecology and Environment has issued Autumn and Winter Comprehensive Air Pollution Control Plan for the Beijing-Tianjin-Hebei Region on an annual basis. The documents specify the scope of industries and regions that are subject to mandatory production cuts. Ceramics manufacturers have been included from the beginning and thus face strong incentives to enhance their pollution prevention technology to minimise their down times. The 2018 *Three-year Action Plan for Winning the Blue-Sky Defence War* issued by the State Council has a national scope and introduces tough restriction for polluting and energy intensive industries, including ceramics.

Provincial-level governments in Guangdong and Shandong have been particularly careful to prevent the concentration of particulate matter in the air from reaching dangerous levels. In the Winter months of 2021/2022, more than 200 ceramic enterprises have reportedly been ordered to stop or limit production.

Local governments have seized the opportunity to help selected enterprises shoulder the adjustment burden. The provision of subsidies for a wide variety of pollution prevention and control measures, for energy conservation and a host of related objectives shapes the industrial structure as this assistance dramatically helps some enterprises to adjust and survive in an increasingly challenging regulatory environment. This is particularly critical in the field of energy conservation, where the adoption of energy-saving equipment promises significant cost savings in the long term. The following Table 17 shows the 20 biggest individual subsidies related to environmental protection while Table 18 does the same for the field of energy conservation.

Table 17: Top10 Subsidy Items (P/L relevant) related to Environmental Protection

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|--|--------------|
| 2021H1 | Monalisa | Provincial Department of Ecology and Environment funds for pollution prevention and control in 2020 | 7,500,000.00 |
| 2021H1 | Monalisa | Municipal supporting funds for industrial clean energy transformation (district-level supporting part) | 4,000,000.00 |
| 2019 | Monalisa | Subsidies promoting the "Coal-to-Gas" transition of Ceramic Production Lines | 2,500,000.00 |
| 2021H1 | Monalisa | Complementary funds for Clean Energy Transformation of the Architectural Ceramics Industry of Foshan City (Municipal Contribution) | 2,354,000.00 |
| 2018 | Huida | Hot blast stove renovation project | 1,722,000.00 |
| 2019 | Huida | Hot blast stove renovation project | 1,722,000.00 |
| 2021H1 | Dongpeng | Clean energy funds for architectural ceramics industry | 1,000,000.00 |
| 2020 | Dongpeng | 2018 Municipal Industrial Enterprise Green Development Special Fund-Technical Transformation of Polished Tile New Technology Application | 825,000.00 |
| 2021H1 | Huida | Subsidies for solid waste processing and environmental protection Technology from the Science and Technology Bureau of Hebei Province | 700,000.00 |
| 2021H1 | Dongpeng | Subsidy funds for gas use in industrial enterprises | 674,600.00 |

Table 18: Top10 Subsidy Items (P/L relevant) related to Energy Conservation

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|---|--------------|
| 2019 | D&O | Energy saving and emission reduction | 3,234,719.00 |
| 2019 | Sitong | Funds for key energy conservation projects | 2,852,041.36 |
| 2020 | Monalisa | Subsidy funds for basic electricity charges for transformer capacity of large industrial enterprises in 2018 | 1,068,480.00 |
| 2020 | Sitong | Transformation and upgrading of daily-use ceramics and energy-saving demonstration projects for wide-body tunnel kilns in colleges and universities | 1,006,371.00 |
| 2021H1 | Sitong | Subsidies for Tunnel Kiln Energy Saving Technology Transformation | 596,500.00 |
| 2018 | Sitong | Transformation and upgrading of daily-use ceramics and energy-saving demonstration projects for wide-body tunnel kilns in colleges and universities | 554,207.69 |
| 2021H1 | Sitong | Transformation and upgrading of daily-use ceramics and energy-saving demonstration projects for wide-body tunnel kilns in colleges and universities | 503,185.50 |
| 2018 | Huida | Energy System Optimization Project | 421,982.88 |
| 2019 | Huida | Energy System Optimization Project | 421,982.88 |
| 2020 | Huida | Energy System Optimization Project | 421,982.88 |

7.3 Subsidies for Circular Economy Development

Subsidies for circular economy, e.g. the reuse of wastewater, the recycling of waste resources or the utilisation of excess heat for power generation, is treated separately from environmental protection. For about ten years, the GOC has encouraged circular economy development under the label of synergistic resource utilisation. Besides financial grants, it has also introduced tax breaks and other benefits which have not been identified in the scope of this report. However, all enterprises have received financial support for setting up production lines based on the recycling of ceramic resources.

Table 19: Top10 Subsidy Items (P/L relevant) related to Circular Economy

| Year | Enterprise | Translated Description | Amount (RMB) |
|------|------------|--|--------------|
| 2020 | Sitong | Technological transformation project of waste heat utilization of sanitary ceramic automatic grouting production line and intelligent tube panel of kiln | 2,672,238.32 |
| 2020 | Sitong | Architectural and sanitary ceramics waste materials recycling technology innovation and Industrialization Demonstration Project | 1,701,217.98 |

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|---|--------------|
| 2021H1 | Sitong | Architectural and sanitary ceramics waste materials recycling technology innovation and Industrialization Demonstration Project | 927,937.08 |
| 2020 | Dongpeng | key projects for Resource conservation and recycling | 920,000.00 |
| 2020 | Sitong | Funds for the synergistic utilization of waste ceramic resources for sanitary ceramics production | 708,137.52 |
| 2018 | D&O | Subsidy for the technical transformation project of using industrial waste to produce environmentally friendly decorative materials | 625,000.00 |
| 2018 | Sitong | Funds for Waste Porcelain Reuse and Resource Recycling Base Construction Project | 473,472.83 |
| 2021H1 | Dongpeng | key projects for Resource conservation and recycling | 460,000.02 |
| 2021H1 | Sitong | Funds for the synergistic utilization of waste ceramic resources for sanitary ceramics production | 354,068.76 |
| 2019 | Huida | Wastewater Treatment project | 344,499.96 |

7.4 Subsidies for Equipment Renovation

Often labelled as technological transformation, subsidies provided in this field promote the upgrading of plant equipment. Besides efficiency gains and quality improvements, recent years have seen significant subsidies provided for plant automation and smart manufacturing applications.

Table 20: Top10 Subsidy Items (P/L relevant) related to Equipment Renovation

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|--|---------------|
| 2019 | Dongpeng | Rewards and Subsidy Funds for Technological Transformation - incentives for technical transformation of industrial enterprises from the Qingyuan Municipal Economy and Information Technology Bureau | 19,633,200.00 |
| 2020 | Dongpeng | 2018 Ex-post award and subsidy funds for technological transformation of industrial enterprises | 3,597,274.75 |
| 2020 | Dongpeng | Support fund for smart manufacturing comprehensive standardization and new model application | 2,496,875.18 |
| 2021H1 | Dongpeng | Funds for production line technical transformation | 2,000,000.00 |
| 2021H1 | Dongpeng | 2018 Ex-post award and subsidy funds for technological transformation of industrial enterprises | 1,798,637.34 |
| 2019 | Monalisa | 2018 Innovation Platform Development Support Incentives from Nanhai District Science and Technology Department | 1,569,800.00 |

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|--|--------------|
| 2018 | D&O | Construction Subsidy for Jingdezhen Technology Innovation Product Upgrade Project | 1,546,250.00 |
| 2021H1 | Huida | Reconstruction and Expansion Project of Huida Group | 1,384,500.00 |
| 2018 | D&O | Smart Manufacturing Pilot Demonstration and smart Transformation incentives from the Jianyang Municipal Finance Bureau | 1,251,100.00 |
| 2018 | Huida | Fengnan Bureau of Industry and Information Technology Dial-In Industrial Design Service Award | 1,105,000.00 |

7.5 Subsidies for R&D and Design

The GOC strongly encourages enterprises to improve their innovative capabilities and develop proprietary technology. This requires substantial investments in R&D facilities and activities. Company operated research centres are heavily subsidized while local governments aim to establish public platforms that allow companies (typically within a cluster) to share specialised infrastructure, e.g. for product design or testing. The GOC also provides significant resources to encourage the development and protection of intellectual property. Every enterprise reviewed has received rewards or grants related to the application or registration of patents.

Table 21: Top10 Subsidy Items (P/L relevant) related to R&D and Design

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|---|---------------|
| 2020 | D&O | Science and technology subsidies | 10,582,286.08 |
| 2019 | D&O | Science and technology subsidies | 6,179,200.00 |
| 2018 | Monalisa | Provincial Financial Subsidy Funds for Enterprise R&D in 2017 | 2,718,500.00 |
| 2018 | D&O | Provincial-level subsidy for research and development of provincial enterprises | 1,656,000.00 |
| 2021H1 | Dongpeng | Funds for the development of industrial design industry in Chancheng District, Foshan City | 1,611,109.56 |
| 2021H1 | Sitong | Research and development of high thermal stability and high strength jade glazed daily-use porcelain | 1,500,000.00 |
| 2018 | Sitong | Provincial Financial Subsidy Funds for Enterprise R&D in 2017 | 1,056,300.00 |
| 2019 | Monalisa | 2016-2017 special funds compensating enterprise research and development expenses from Foshan City | 1,050,800.00 |
| 2021H1 | Monalisa | High and New Technology Enterprise R&D Expense Subsidy from Foshan Science and Technology Bureau | 1,031,900.00 |
| 2020 | Monalisa | Subsidy funds compensating R&D expenses of high and new technology enterprises in Foshan City in 2019 | 884,600.00 |

Table 22: Top10 Subsidy Items (P/L relevant) related to Intellectual Property

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|--|--------------|
| 2020 | Dongpeng | 2020 Special Funds for Intellectual Property | 800,000.00 |
| 2020 | Monalisa | 2017-2018 Expenses for the promotion of invention patents in the Nanhai District | 602,910.00 |
| 2019 | Monalisa | 2017 Foshan Patent Funds | 503,000.00 |
| 2018 | Monalisa | Special Fund for Strengthening Intellectual Property Work in 2018 - China Patent Award | 500,000.00 |
| 2020 | Monalisa | Intellectual property subsidies from Foshan Nanhai District Market Supervision and Administration Bureau | 500,000.00 |
| 2021H1 | Dongpeng | 2020 Municipal Intellectual Property Special Funds (Second Batch) | 400,118.50 |
| 2018 | Monalisa | 2016 Foshan Invention Patent Funds | 399,000.00 |
| 2021H1 | Monalisa | 2020 Special Funds for Intellectual Property | 393,240.00 |
| 2018 | Monalisa | Incentives for brand strategy and independent innovation from Nanhai District (first batch of 2018 Chinese patent excellence awards) | 300,000.00 |
| 2021H1 | Monalisa | China Invention Patent Funding | 210,000.00 |

7.6 Subsidies related to Employment

The challenging business situation during the COVID19 pandemic has heightened job security concerns of local governments. But even in the years before the outbreak, local governments have provided significant incentives for employment stabilisation. While localities support enterprises' in replacing human labour with production robots, particularly in Foshan City, they hand out support funds for upgrading human capital, e.g. staff training, promoting of talents and funding positions for post-doctoral researchers.

Table 23: Top10 Subsidy Items (P/L relevant) related to Human Resources

| Year | Enterprise | Translated Description | Amount (RMB) |
|------|------------|---|---------------|
| 2019 | D&O | Employment subsidies | 18,943,580.22 |
| 2020 | Huida | Employment stabilization subsidies | 18,238,259.92 |
| 2020 | D&O | Employment subsidies | 6,507,663.86 |
| 2020 | Dongpeng | 2020 subsidy for on-the-job training of employees | 6,289,000.00 |
| 2020 | Huida | Funds for skill upgrading from the Human Resources and Social Security Administration | 2,733,200.00 |

| Year | Enterprise | Translated Description | Amount (RMB) |
|------|------------|---|--------------|
| 2020 | Monalisa | Subsidies for on-the-job training of employees | 2,519,800.00 |
| 2020 | Huida | Funds for the construction of employee housing | 1,631,033.28 |
| 2018 | Huida | Funds for the construction of employee housing | 1,631,033.28 |
| 2019 | Huida | Funds for the construction of employee housing | 1,631,033.28 |
| 2020 | Sitong | Refund of unemployment insurance premiums to affected enterprises | 1,563,793.94 |

7.7 Subsidies related to Product Quality and Standardisation

Boosting the international competitive of domestic producers is a prime concern for the GOC. To this end, it supports the formulation of advanced industry standards by Chinese companies. More importantly, the GOC aims to project domestic standards into global industries and reinforce Chinese influence in international markets. Financial assistance for standardisation and quality are grouped together in Table 24.

Table 24: Top10 Subsidy Items (P/L relevant) related to Product Quality and Standardisation

| Year | Enterprise | Translated Description | Amount (RMB) |
|------|------------|---|--------------|
| 2019 | Monalisa | Support Fund from Foshan Nanhai District Economic Promotion Bureau (Nomination Award of China Quality Award) | 3,000,000.00 |
| 2019 | Monalisa | Subsidies for the 3rd China Quality Nomination Award from Nanhai District Market Supervision and Administration Bureau of Foshan City | 1,500,000.00 |
| 2019 | D&O | Product quality subsidies | 1,200,000.00 |
| 2018 | D&O | Be better and stronger reward (quality award) | 1,000,000.00 |
| 2018 | Huida | Rewards for winning the Hebei Provincial Government Quality Award for the first time from Fengnan District Market Supervision and Administration Bureau | 500,000.00 |
| 2019 | Monalisa | Support funds from Foshan Nanhai District Economic Promotion Bureau (leading the formulation of 1 national standard) | 500,000.00 |
| 2018 | Huida | Quality Award from Hebei Provincial Bureau of Quality and Technical Supervision | 500,000.00 |
| 2018 | Monalisa | 2018 Foshan City Industrial Product Quality Improvement Support Fund (3 Guangdong Quality Brand Certification Titles) | 300,000.00 |
| 2020 | D&O | Product quality subsidies | 200,000.00 |

| Year | Enterprise | Translated Description | Amount (RMB) |
|------|------------|--|--------------|
| 2018 | D&O | Confirmation of enterprise (industrial product quality improvement) subsidy through standardized good behavior | 130,000.00 |

7.8 Subsidies related to Export Promotion

The companies reviewed for this report have received financial assistance to subsidize the cost of export credit insurance, to address international trade defence investigations and to carry out overseas marketing activities. The ten biggest individual subsidy items are shown in the following Table 25.

Table 25: Top10 Subsidy Items (P/L relevant) related to Foreign Trade Promotion

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|---|--------------|
| 2018 | Sitong | Special funds for foreign trade and economic development in 2017 | 1,610,000.00 |
| 2020 | Huida | China Export & Credit Insurance Corporation supporting funds | 1,018,579.01 |
| 2020 | Dongpeng | 2018 Foreign Economic and Trade Development Funds from the Central Government | 625,811.00 |
| 2020 | Huida | Allocation of the second batch of special funds for foreign trade development in 2019 | 600,000.00 |
| 2021H1 | Huida | Export Credit Insurance Subsidy from the Business Promotion Bureau | 502,700.00 |
| 2020 | Huida | 2019 German ISH Overseas Exhibition Subsidy | 310,200.00 |
| 2018 | Huida | Export credit insurance support and development funds (second batch) | 300,000.00 |
| 2019 | Huida | Export credit insurance subsidies | 280,679.00 |
| 2021H1 | Huida | Awards for Overseas Trademark Registration Project from the Business Promotion Bureau | 228,685.00 |
| 2021H1 | Monalisa | 2020 central government foreign trade and economic development special fund (addressing trade frictions) in response to U.S. antidumping and countervailing duty investigations of ceramic tiles from China-South China Sea Economic Promotion Bureau | 222,795.00 |

7.9 Subsidies related to Production Factor Cost

Reducing corporate operating cost has been a pillar of Supply-side Structural Reforms, a signature policy of the 13th Five-year Plan period. Local governments hosting ceramics

enterprises have responded by scrapping administrative some fees, refunding others and compensating companies for a variety of construction activities. Besides land related subsidies, enterprises have benefitted from assistance in the face of surging energy cost and received incentives or rewards to tap equities markets.

Table 26: Top Subsidy Items (P/L relevant) related to Land Use

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|---|--------------|
| 2021H1 | Dongpeng | 2020 Urban Land Use Tax Differentiated Rewards from Fengcheng Finance Bureau Industrial Park Branch | 1,501,800.00 |
| 2020 | Dongpeng | Fengcheng Urban Land Use Tax Incentive Fund | 730,900.00 |
| 2018 | Huida | Compensation for land levelling and infrastructure construction | 637,199.88 |
| 2019 | Huida | Compensation for land levelling and infrastructure construction | 637,199.88 |
| 2020 | Huida | Compensation for land levelling and infrastructure construction | 637,199.88 |
| 2021H1 | Huida | Compensation for land levelling and infrastructure construction | 318,599.94 |

Table 27: Top Subsidy Items (P/L relevant) related to Energy Cost

| Year | Enterprise | Translated Description | Amount (RMB) |
|------|------------|---|--------------|
| 2020 | Monalisa | Subsidy funds for reducing the cost of electricity and gas for enterprises in 2019 | 2,501,600.00 |
| 2020 | Monalisa | Subsidies for basic electricity fees | 733,999.65 |
| 2020 | Monalisa | In 2018, the subsidy fund to reduce the electricity cost of enterprises | 717,320.00 |
| 2020 | Dongpeng | Subsidy funds for reducing the cost of electricity and gas for enterprises in 2019 | 609,000.00 |
| 2020 | Dongpeng | Incentives for production resumption and electricity consumption from Fengcheng City | 566,527.64 |
| 2018 | Monalisa | Subsidies for reducing the cost of electricity and gas used by enterprises in the first half of 2017 | 542,340.00 |
| 2019 | Monalisa | Electricity subsidies for the second half of 2017 from Foshan Nanhai District Economic and Technology Promotion Bureau (Economic and Trade) | 446,700.00 |
| 2018 | D&O | Differential electricity price and electricity fee subsidy | 275,000.00 |
| 2018 | D&O | Subsidies to reduce electricity costs for enterprises | 82,317.00 |

Table 28: Top Subsidy Items (P/L relevant) related to Stock Market Listing

| Year | Enterprise | Translated Description | Amount (RMB) |
|--------|------------|---|---------------|
| 2021H1 | Dongpeng | Financial rewards for listed companies from Qingyuan Financial Work Bureau | 10,000,000.00 |
| 2018 | Monalisa | Support funds for listing shares from Nanhai District, Foshan City | 2,500,000.00 |
| 2019 | Monalisa | High-quality enterprise listing support funds | 2,000,000.00 |
| 2018 | Monalisa | Allocation of the first batch of support funds for the listing of enterprises in 2018 | 500,000.00 |

8 CONCLUSION

This report is the result of an in-depth review of the policy framework facing the Chinese ceramic tile industry conducted in late 2021 and early 2022. It has focussed on developments in industrial policy since 2017 and reviewed the financial reports of six leading enterprises to identify government guidance and support.

In the policy field, it is found that the ceramic tile sector has received only scant attention from central authorities. National-level documents address the industry in the larger context of equipment upgrading, plant automation and smart manufacturing on the one hand, or energy conservation, pollution prevention and GHG reduction on the other. In addition, the ceramics sector is part of national plans for the regional redistribution of individual industries and the cultivation of specialized industry clusters.

Local-level authorities of areas with a strong ceramics industry presence, particularly municipal governments, show strong concern for the structure and performance of the industry. This was expected as the relevance of architectural ceramics manufacturing is especially high for localities relying on the sector to provide jobs, taxes and investment that propels local GDP. A detailed account of various policy documents issued by Chaozhou City (Guangdong Province) reveals that ceramics is regarded as a pillar industry that qualifies for financial and non-monetary support.

A review of the professional biographies of members of the boards of directors and supervisors of six selected companies illustrates that some senior corporate decision makers have notable affiliation to the CPC and or the GOC. THINK!DESK also found that Monalisa, one of China's leading ceramics enterprises, has added provision into its articles of association that grant the company's CPC committee significant influence on strategic decision-making.

In line with the findings of previous reviews of the Chinese ceramics industry, the present report confirms the provision of substantial subsidies to the enterprises reviewed. While some of these can be identified as promoting environmental protection, energy conservation and other laudable objectives, the fact remains that the GOC is serious about alleviating the cost burden associated with the transition to an eco-friendly, highly automated, brand-centred manufacturing mode.

In addition, significant financial grants can be identified as investment incentives. In fact, some of the largest individual receipts appear to reward companies for their choice of location and/or the expansion of production. Of similar importance but significantly hard to quantify and attribute to individual companies are the large sums invested by sub-central governments in the cultivation of ceramics industry parks with modern general purpose and sector-specific infrastructure. This includes, for example, research, testing and training institutions along with various types of other common-use facilities. Taken together, company-specific investment

incentives and industry-specific park infrastructure, represent substantial support for ceramics enterprises.

In the field of international trade promotion, the review of enterprises' financial reports has shown that local governments provide subsidies for export credit insurance, overseas market exploration, trade show participation, legal representation in international trade defence disputes and other activities.

It is notable that the GOC continues to maintain a regime of VAT rebates that encourage the export of finished tiles while relatively discouraging the export of raw materials. This asymmetric arrangement prevents a drain of national kaolin clay reserves to the world market while boosting the competitiveness of finished tiles made-in-China.

In spite of the supportive administrative environment, the ceramic tile industry has in recent years been affected by stagnating domestic demand and unsteady export business on the one hand, and substantial energy price increases and environmental adjustment cost, on the other. As the architectural ceramics segment strongly depends on the performance of the Chinese real estate market, the financial distress of developers does not bode well for the sector.

As it stands in February 2022, concentration of the architectural tile industry continues to progress rapidly with a handful of leading companies pursuing large-scale capacity expansion projects and dozens of smaller rivals withdrawing under intense competitive pressure. The advantages from scale economies, plant automation and government assistance drive a wedge between a group of top 20 companies and the rest of the industry. Coming from a long history of craftsmanship spread across countless small and medium sized workshops, the Chinese ceramics industry is gradually boiling down to a few dozen highly-efficient, fully-automated, low-cost volume producers.

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ANNEX 1 SUBSIDIES TO LEADING CERAMIC TILE MANUFACTURERS

Table 29: Subsidies (P/L relevant) received by D&O (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2018 | Provincial-level subsidy for research and development of provincial enterprises | 1,656,000.00 |
| 2018 | Construction Subsidy for Jingdezhen Technology Innovation Product Upgrade Project | 1,546,250.00 |
| 2018 | Smart Manufacturing Pilot Demonstration and smart Transformation incentives from the Jianyang Municipal Finance Bureau | 1,251,100.00 |
| 2018 | Foshan Science and Technology Development Special Fund | 900,000.00 |
| 2018 | Subsidy for the technical transformation project of using industrial waste to produce environmentally friendly decorative materials | 625,000.00 |
| 2018 | Special funds for applied science and technology research and development | 723,489.13 |
| 2018 | Subsidy funds compensating corporate research and development investments | 682,000.00 |
| 2018 | Refund of handling fee for tax collection from Leping Taxation branch of Sanshui District Local Tax Office | 252,619.25 |
| 2018 | Employment and entrepreneurship subsidies supporting college graduates from Sanshui District | 7,500.00 |
| 2018 | Project Support Funds for Key Enterprises in Sanshui District | 1,815,979.02 |
| 2018 | Be better and stronger reward (quality award) | 1,000,000.00 |
| 2018 | Foshan special funds for the development of e-commerce | 1,300,000.00 |
| 2018 | Foshan special funds for the development of e-commerce | 838,600.00 |
| 2018 | Chancheng District, Foshan City, "100 Enterprises Compete to Be the First" Award | 501,799.00 |
| 2018 | Special funds for promoting the large-scale development of small and micro enterprises in Chancheng District, Foshan City | 100,000.00 |
| 2018 | Subsidy funds for national export enterprises from the Commerce Bureau | 50,000.00 |
| 2018 | Little Giants Subsidies from the Information Technology Bureau | 100,000.00 |
| 2018 | Be better and stronger reward (support fund) | 100,000.00 |
| 2018 | Unspecified subsidies | 20,000.00 |
| 2018 | Special funds for foreign trade development from the Chengdu Municipal Finance Bureau | 24,500.00 |
| 2018 | Special funds for supporting enterprise IT application in Chancheng District | 300,000.00 |
| 2018 | Technical Transformation Fund from the Sichuan Provincial Economic and Information Technology Commission | 286,000.15 |

| Year | Translated Description | Amount (RMB) |
|------|--|---------------|
| 2018 | Subsidies and incentives for Guangxi enterprises to purchase scientific and technological achievements after transformation | 200,000.00 |
| 2018 | Booth Subsidy for Participating in the 10th International Invention Exhibition | 10,000.00 |
| 2018 | Foreign trade development and promotion funds from Sanshui District | 23,200.00 |
| 2018 | Confirmation of enterprise (industrial product quality improvement) subsidy through standardized good behavior | 130,000.00 |
| 2018 | VAT refund | 26,852,640.00 |
| 2018 | Support funds for entrepreneurship and innovation | 50,000.00 |
| 2018 | Chengdu Employment Stabilization Subsidy | 198,480.26 |
| 2018 | District-level High and New Technology enterprise subsidy funds | 150,000.00 |
| 2018 | Differential electricity price and electricity fee subsidy | 275,000.00 |
| 2018 | Foshan High and New Technology Enterprise Grant | 100,000.00 |
| 2018 | Chengdu SME Growth Project Subsidy Fund | 35,000.00 |
| 2018 | Special fund subsidy for overseas exhibitors in Chengdu | 48,000.00 |
| 2018 | Financing incentives from the Chengdu Financial Work Bureau | 500,000.00 |
| 2018 | Special Fund for Technological Transformation of Foshan City | 98,389.40 |
| 2018 | Subsidies for special infrastructure construction projects in Jingdezhen City | 2,475,408.40 |
| 2018 | Jingdezhen Road Construction Project Subsidy | 108,305.66 |
| 2018 | Project subsidy for major science and technology projects in Foshan (application-oriented core technology research areas) | 80,000.00 |
| 2018 | Allocation from the second batch of the 2018 science and technology plan funds of Jingdezhen City | 70,000.00 |
| 2018 | Subsidies for Economic and Technological Development | 40,130.00 |
| 2018 | Special fund for environmental protection from the Finance Bureau of Fuliang County | 500,000.00 |
| 2018 | Technical transformation project of ceramic kiln and powder self-provided environmental protection system | 135,902.00 |
| 2018 | Provincial-level special funds for promoting economic development (technical transformation of enterprises - supporting the development of green circular economy) | 125,051.00 |
| 2018 | Allocation from the first batch of the 2018 science and technology plan funds of Jingdezhen City | 30,000.00 |
| 2018 | Special funds for human resource development | 30,000.00 |
| 2018 | Incentives for corporate headquarters from the Jianyang Municipal Finance Bureau and Commerce Bureau | 100,000.00 |

| Year | Translated Description | Amount (RMB) |
|--------|--|---------------|
| 2018 | Industrial Development incentives from the Jianyang Municipal Finance Bureau | 9,069,200.00 |
| 2018 | Reemployment and training subsidy for farmers | 21,000.00 |
| 2018 | Special funds for the transformation and upgrading of provincial-level enterprises in Guangdong Province | 21,600.00 |
| 2018 | 2013 Provincial special fund for energy conservation and circular economy | 67,000.00 |
| 2018 | Sichuan Province Industrial Design Development Special Fund | 20,000.00 |
| 2018 | Subsidies to reduce electricity costs for enterprises | 82,317.00 |
| 2018 | Water Conservation subsidies from Jingdezhen City Planning Water Conservation Office | 30,000.00 |
| 2018 | Information Technology Industry Project Support Funds | 18,000.00 |
| 2019 | Energy saving and emission reduction | 3,234,719.00 |
| 2019 | Science and technology subsidies | 6,179,200.00 |
| 2019 | Employment subsidies | 18,943,580.22 |
| 2019 | Subsidies for buildings | 108,305.68 |
| 2019 | Subsidies for machinery | 4,501,467.92 |
| 2019 | Product quality subsidies | 1,200,000.00 |
| 2019 | business development subsidies | 48,747,856.44 |
| 2019 | Unspecified subsidies | 1,849,240.47 |
| 2019 | VAT refund | 26,624,400.00 |
| 2020 | Science and technology subsidies | 10,582,286.08 |
| 2020 | Subsidies for buildings | 108,305.68 |
| 2020 | Subsidies for machinery | 5,497,371.40 |
| 2020 | Employment subsidies | 6,507,663.86 |
| 2020 | business development subsidies | 29,695,124.69 |
| 2020 | Product quality subsidies | 200,000.00 |
| 2020 | Unspecified subsidies | 268,789.39 |
| 2020 | VAT refund | 23,852,400.00 |
| 2020 | Energy saving and emission reduction | 16,411.97 |
| 2021H1 | VAT refund | 12,375,000.00 |
| 2021H1 | Unspecified subsidies | 15,006,910.53 |

Table 30: Subsidies (Deferred Income) received by D&O (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|--------|---|---------------|
| 2018 | Special Fund for Technological Transformation of Foshan City | 393,557.61 |
| 2018 | Subsidy for the technical transformation project of using industrial waste to produce environmentally friendly decoration materials | 4,218,750.00 |
| 2018 | District-level technical transformation special funds | 435,314.00 |
| 2018 | Guangdong Province Differential Electricity Price Electricity Fee Subsidy | 1,250,000.00 |
| 2018 | Guangdong Province Differential Electricity Price Electricity Fee Subsidy | 75,000.00 |
| 2018 | Special funds for the transformation and upgrading of provincial-level enterprises in Guangdong Province | 86,400.00 |
| 2018 | Special funds for applied science and technology research and development | 1,812,489.13 |
| 2018 | Jingdezhen Science and Technology Innovation Product Upgrade Project Construction Subsidy | 1,546,250.00 |
| 2018 | Jingdezhen Road Construction Project Subsidy | 1,173,311.34 |
| 2018 | Jingdezhen Ceramic Infrastructure Construction Project Subsidy payment | 6,453,228.40 |
| 2018 | Provincial special funds for industrial and information development | 645,000.00 |
| 2018 | Provincial special fund for energy saving and circular economy | 362,916.67 |
| 2019 | Wuzhou special fund for high-quality industrial development | 15,000,000.00 |
| 2020 | Project reward for installing low-nitrogen combustion device | 90,000.00 |
| 2020 | Wuzhou special fund for high-quality industrial development | 2,785,700.00 |
| 2021H1 | 2021 Autonomous Region "1000 Enterprises Technological Transformation" Project Subsidy Fund (Gui Cai Gong Jiao [2021] No. 22) | 2,000,000.00 |
| 2021H1 | Special funding for high-end building ceramics functionalization and resource recycling key technology research and industrialization demonstration of Guangxi Zhuang Autonomous Region Science and Technology Department | 1,950,000.00 |
| 2021H1 | Building materials industrial park project | 1,573,100.00 |

Table 31: Subsidies (Deferred Income) Stock of D&O at 31.12.2017

| Translated Description | Amount (RMB) |
|---|---------------------|
| Technological Transformation Fund | 2,288,000.00 |
| Little Giant Funding | 800,000.00 |
| Chengdu SME Growth Project Subsidy Fund | 262,500.00 |
| Sichuan Province Industrial Design Development Special Fund | 160,000.00 |

Table 32: Subsidies (P/L relevant) received by Dongpeng (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|---------------|
| 2018 | Enterprise Development Support Funds - financial incentives from Duilongdeqing County, Lhasa City, to encourage entities to settle in and develop | 38,851,000.00 |
| 2018 | Refund of expenses for supporting facilities - as incentive for enterprises to settle in and accelerate the construction of industrial parks, Yongchuan District, Chongqing City refund expenses on supporting facilities | 27,189,700.00 |
| 2019 | Rewards and Subsidy Funds for Technological Transformation - incentives for technical transformation of industrial enterprises from the Qingyuan Municipal Economy and Information Technology Bureau | 19,633,200.00 |
| 2019 | Industrial Development Fund - encourage entities to settle and accelerate industrial park construction, Yongchuan District, Chongqing refund of expenses for supporting facilities | 54,643,600.00 |
| 2019 | Enterprise Development Support Funds - special enterprise development support fund established by Fengcheng municipal Finance Department to reward and support corporate headquarters | 20,000,000.00 |
| 2020 | 2020 Special Funds for Intellectual Property | 800,000.00 |
| 2020 | 2018 Ex-post award and subsidy funds for technological transformation of industrial enterprises | 3,597,274.75 |
| 2020 | Support fund for smart manufacturing comprehensive standardization and new model application | 2,496,875.18 |
| 2020 | 2018 Foreign Economic and Trade Development Funds from the Central Government | 625,811.00 |
| 2020 | Changde City municipal-level fee reduction and burden reduction subsidies in 2019 | 373,000.00 |
| 2020 | 2019 "100 Enterprises Compete to Be the First" Reward Fund | 6,644,657.00 |
| 2020 | Funding for the Top 50 Benchmarking High and new technology Enterprises in Foshan in 2019 | 1,000,000.00 |
| 2020 | 2019 Provincial Special Fund for Promoting Economic Development (Enterprise Technological Transformation) - Special Fund for Polished Tile Smart Manufacturing and Technology Transformation Project | 966,583.68 |
| 2020 | Subsidy funds for reducing the cost of electricity and gas for enterprises in 2019 | 609,000.00 |
| 2020 | 2020 Special funds supporting corporate IT upgrading in Chancheng District | 835,300.00 |
| 2020 | Allocation from the fifth batch of 2020 Hunan Province Strong Manufacturing special funds | 1,500,000.00 |

| Year | Translated Description | Amount (RMB) |
|--------|--|---------------|
| 2020 | 2019 provincial and municipal subsidies and rewards for industrial enterprise technical transformation | 656,787.12 |
| 2020 | key projects for Resource conservation and recycling | 920,000.00 |
| 2020 | Subsidy funds compensating R&D expenses of high and new technology enterprises in Foshan City in 2019 | 313,700.00 |
| 2020 | 2020 subsidy for on-the-job training of employees | 6,289,000.00 |
| 2020 | Incentives for production resumption and electricity consumption from Fengcheng City | 566,527.64 |
| 2020 | Fengcheng Urban Land Use Tax Incentive Fund | 730,900.00 |
| 2020 | Enterprise Development Support Funds | 96,950,453.53 |
| 2020 | Subsidies for employee training | 1,226,000.00 |
| 2020 | Employment stabilisation subsidies in Xi'an | 959,904.00 |
| 2020 | 2020 Provincial-level special enterprise technology transformation funds for promoting high-quality economic development | 370,200.48 |
| 2020 | 2018 Municipal Industrial Enterprise Green Development Special Fund-Technical Transformation of Polished Tile New Technology Application | 825,000.00 |
| 2020 | Unspecified subsidies | 10,319,610.48 |
| 2020 | Unspecified subsidies | 3,094,018.36 |
| 2020 | Funds for Foshan High and New Technology Enterprise Innovation Alliance in 2019 | 300,000.00 |
| 2020 | Employment stabilisation subsidies | 779,067.98 |
| 2020 | Industrial Development Funds | 430,000.76 |
| 2020 | Subsidies promoting the "Coal-to-Gas" transition of Ceramic Production Lines | 593,767.79 |
| 2020 | 2018 Special Fund for Green Development of Municipal Industrial Enterprises | 500,000.00 |
| 2020 | Supporting Funds for Star Enterprises in Characteristic Towns | 1,433,627.74 |
| 2020 | Ancillary facilities fee refund | 1,845,028.80 |
| 2021H1 | Funds for the development of industrial design industry in Chancheng District, Foshan City | 1,611,109.56 |
| 2021H1 | Funds for production line technical transformation | 2,000,000.00 |
| 2021H1 | 2018 Ex-post award and subsidy funds for technological transformation of industrial enterprises | 1,798,637.34 |
| 2021H1 | 2020 Municipal Intellectual Property Special Funds (Second Batch) | 400,118.50 |
| 2021H1 | Financial rewards for listed companies from Qingyuan Financial Work Bureau | 10,000,000.00 |
| 2021H1 | Science and technology subsidies | 1,000,000.00 |

| Year | Translated Description | Amount (RMB) |
|--------|--|---------------|
| 2021H1 | 2019 Provincial Special Project for Promoting Economic Development (Enterprise Technological Transformation) - Polished Tile Smart Manufacturing and Technological Improvement Project | 483,291.84 |
| 2021H1 | 2020 provincial-level reward and subsidy funds for industrial enterprise technical transformation | 429,021.00 |
| 2021H1 | key projects for Resource conservation and recycling | 460,000.02 |
| 2021H1 | 2019 provincial and municipal subsidies and rewards for industrial enterprise technical transformation | 394,208.10 |
| 2021H1 | Clean energy funds for architectural ceramics industry | 1,000,000.00 |
| 2021H1 | Subsidy Funds compensating R&D Expenses of High and New Technology Enterprises in 2020 | 305,400.00 |
| 2021H1 | 2020 Urban Land Use Tax Differentiated Rewards from Fengcheng Finance Bureau Industrial Park Branch | 1,501,800.00 |
| 2021H1 | Enterprise Development Support Funds | 40,974,696.86 |
| 2021H1 | Funds for technology automation and transformation project at ceramic tile production lines no. 5 and 6 | 318,214.26 |
| 2021H1 | Unspecified subsidies | 3,710,142.82 |
| 2021H1 | Unspecified subsidies | 1,876,050.42 |
| 2021H1 | Subsidy funds for gas use in industrial enterprises | 674,600.00 |
| 2021H1 | Ancillary facilities fee refund | 922,514.40 |

Table 33: Subsidies (Deferred Income) received by Dongpeng (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|---------------|
| 2018 | 2017 Industrial Enterprise Technical Transformation Project | 363,300.00 |
| 2018 | 2017 Provincial Special Funds for Industrial and IT development | 1,820,900.00 |
| 2018 | 2017 Provincial Special Funds for Industrial and IT development | 1,200,000.00 |
| 2018 | Industrial Development Fund | 8,600,000.00 |
| 2018 | Ancillary facilities fee refund | 27,189,700.00 |
| 2019 | 2017 Provincial Special Funds for Industrial and IT development | 382,300.00 |
| 2019 | 2018 Ex-post award and subsidy funds for technological transformation of industrial enterprises | 16,635,500.00 |
| 2019 | 2018 Qingyuan Municipal Industrial Enterprise Technical Transformation Special Fund | 407,700.00 |
| 2019 | Funding for the 2019 Patent Technology Implementation Plan Project (a manufacturing method of ceramic tiles with good antifouling effect) | 200,000.00 |

| Year | Translated Description | Amount (RMB) |
|------|---|---------------|
| 2019 | 2019 Special Fund for Foshan Economic and Technological Development | 300,000.00 |
| 2019 | 2019 Qingyuan Chief Technician Subsidy (Qingyuan Human Resources and Social Security Bureau) | 10,000.00 |
| 2019 | 2019 Provincial Special Project for Promoting Economic Development (Enterprise Technological Transformation) - Polished Tile smart Improvement Technology Transformation | 4,985,200.00 |
| 2019 | 2019 Provincial Special Project for Promoting Economic Development (Enterprise Technological Transformation) - Polished Tile smart Improvement Technology Transformation | 3,518,600.00 |
| 2019 | 2019 Ex-post award and subsidy funds for technological transformation of industrial enterprises (provincial + municipal) | 3,174,500.00 |
| 2019 | Industrial Development Fund | 54,643,600.00 |
| 2019 | Special funds for district-level industrial technology research and development and industry-university-research cooperation-R&D and industrialization of ceramic tile flat, smooth, bright, polished, glazed, and anti-slip technology | 280,000.00 |
| 2019 | Key special funds for intelligent robots | 696,000.00 |
| 2019 | Special funds for Qingyuan Science and Technology Plan Project (the research and development of a simulated full-body 3D rough stone with internal texture) | 500,000.00 |
| 2019 | Ancillary facilities fee refund | 9,710,900.00 |
| 2019 | Ceramic enterprise production line "coal to gas" project funds | 484,500.00 |
| 2020 | Funds for technology transformation and equipment upgrade of no. 1 and 2 ceramic tile production line | 610,000.00 |
| 2020 | 2019 Ex-post award and subsidy funds for technological transformation of industrial enterprises (provincial + municipal) | 603,300.00 |
| 2020 | 2020 Ex-post award and subsidy funds for technological transformation of industrial enterprises (inclusive) district-level | 850,800.00 |
| 2020 | 2020 Provincial-level special enterprise technology transformation funds for promoting high-quality economic development | 5,010,000.00 |
| 2020 | 2020 Ex-post award and subsidy funds for technological transformation of industrial enterprises (inclusive) provincial level | 4,785,500.00 |
| 2020 | 2020 Chancheng District Enterprise IT construction Funds | 300,000.00 |
| 2020 | 2020 Chancheng District Enterprise IT construction Funds | 160,000.00 |
| 2020 | Funds for automation and technology transformation of no. 5 & 6 ceramic tile production line | 5,940,000.00 |
| 2020 | Infrastructure construction funds | 35,160,000.00 |
| 2020 | Key special funds for intelligent robots | 2,093,500.00 |
| 2020 | Key special funds for intelligent robots | 2,093,500.00 |

| Year | Translated Description | Amount (RMB) |
|--------|---|--------------|
| 2020 | Lixian Xinpeng Ceramics Phase III Intelligent Manufacturing Project | 830,000.00 |
| 2020 | Ceramic enterprise production line "coal to gas" project funds | 4,500,000.00 |
| 2020 | Ceramic enterprise production line "coal to gas" project funds | 4,500,000.00 |
| 2021H1 | Lixian Dongpeng Intelligent Manufacturing Project Phase III | 656,000.00 |
| 2021H1 | Ancillary facilities fee refund | 3,100,000.00 |

Table 34: Subsidies (Deferred Income) Stock of Dongpeng at 31.12.2017

| Translated Description | Amount (RMB) |
|--|--------------|
| Resource conservation and recycling key projects | 7,828,200.00 |
| Support fund for intelligent manufacturing comprehensive standardization and new model application project | 6,064,600.00 |
| 2016 Special Fund for the application of production robots and smart Equipment of Foshan City | 1,000,000.00 |
| 2016 special funds for technological transformation projects of municipal industrial enterprises | 900,000.00 |
| Industrial chain innovation antique tile R&D centre | 600,000.00 |
| 2015 provincial-level technical transformation related special surplus funds | 530,000.00 |
| 2017 Guangdong special fund for industrialization and IT integration (implementation of the management system for the integration advanced IT in the production process) | 483,300.00 |
| Foshan Economic and Technological Development Special Fund | 450,000.00 |
| 2017 Science and Technology Special Fund (Lightning Beige Polished Tiles) | 396,100.00 |
| High pressure grouting production line technical transformation project | 381,800.00 |
| Subsidies for energy-saving technical transformation projects | 300,000.00 |
| Subsidies for science and technology projects (wear-resistant and non-slip imitation natural jade polished tiles) | 257,500.00 |
| 2017 Science and Technology Special Fund (3D Slurry Rough Stone Series Polished Tiles) | 198,100.00 |
| 2016 Municipal Subsidy for Provincial-level Engineering Centre | 88,900.00 |
| Construction of Antique Brick Green Production Engineering Technology Centre | 40,000.00 |

Table 35: Subsidies (P/L relevant) received by Everjoy (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|--|--------------|
| 2018 | Support funds for subsidiary Shanghai Smike Building Materials Co., Ltd. from the Finance Department of Pujiang Town, Minhang District, Shanghai City | 1,380,000.00 |
| 2018 | Support funds for subsidiaries located in Pujiang Town from the Finance Bureau of Minhang District, Shanghai City | 590,000.00 |
| 2018 | Unspecified subsidies | 569,227.45 |
| 2018 | Unspecified subsidies | 100,000.00 |
| 2018 | Immediate VAT refund on new wall materials | 386,514.29 |
| 2018 | Incentive and support funds for subsidiary Jiangxi Smike Ceramics Co., Ltd. from the Finance Bureau of Fengcheng City, Jiangxi Province | 2,877,300.00 |
| 2018 | Support funds for subsidiary Jingzhou Smike New Materials Co., Ltd. from Jiangling County | 6,220,000.00 |
| 2018 | Support funds for subsidiary Jingzhou Smike New Materials Co., Ltd. from the Jiangling County Finance Bureau | 2,980,000.00 |
| 2018 | Support funds for subsidiary Jingzhou Smike New Materials Co., Ltd. from the Jiangling County Finance Bureau | 480,000.00 |
| 2019 | Support funds for subsidiary Shanghai Smike Health Environment Technology Co., Ltd. from the finance department of Pujiang Town, Minhang District, Shanghai City | 90,000.00 |
| 2019 | Support funds for subsidiary Shanghai Smike Building Materials Co., Ltd. from the Finance Department of Pujiang Town, Minhang District, Shanghai City | 1,340,000.00 |
| 2019 | Support funds for subsidiary Shanghai Smike Building Ceramics Co., Ltd. from the Finance Department of Pujiang Town, Minhang District, Shanghai City | 550,000.00 |
| 2019 | Subsidies for subsidiary Shanghai Smike Health and Environmental Technology Co., Ltd. from Shanghai Minhang District Science and Technology Commission | 500,000.00 |
| 2019 | Support funds for subsidiaries located in Pujiang Town from the Finance Bureau of Minhang District, Shanghai City | 860,000.00 |
| 2019 | Unspecified subsidies | 621,297.02 |
| 2019 | Immediate VAT refund on new wall materials | 197,059.80 |
| 2019 | Incentive and support funds for subsidiary Jiangxi Smike Ceramics Co., Ltd. from the Finance Bureau of Fengcheng City, Jiangxi Province | 3,171,700.00 |
| 2019 | Subsidies for technology projects of subsidiary Jingzhou Smike New Materials Co., Ltd. from Jiangling County Science and Technology Bureau | 70,000.00 |

| Year | Translated Description | Amount (RMB) |
|--------|--|--------------|
| 2019 | Support funds for subsidiary Jingzhou Smike New Materials Co., Ltd. from the Jiangling County Finance Bureau | 305,200.00 |
| 2019 | Conversion of deferred income subsidies | 1,916,128.00 |
| 2020 | Shanghai Brand Rewards and support Funds for subsidiary Shanghai Smike Health and Environmental Technology Co., Ltd. from Shanghai Minhang District Market Supervision and Administration Bureau | 200,000.00 |
| 2020 | Social security support funds for the company and its subsidiaries from the Finance Department of Pujiang Town, Minhang District, Shanghai | 2,070,000.00 |
| 2020 | Subsidies for subsidiary Shanghai Smike Health and Environmental Technology Co., Ltd. from Shanghai Minhang District Science and Technology Commission | 800,000.00 |
| 2020 | Policy support funds for modern service industry from the Shanghai Minhang District Economic Commission | 500,000.00 |
| 2020 | Unspecified subsidies | 1,122,639.63 |
| 2020 | Unspecified subsidies | 287,165.60 |
| 2020 | Incentive and support funds for subsidiary Jiangxi Smike Ceramics Co., Ltd. from the Finance Bureau of Fengcheng City, Jiangxi Province | 3,118,300.00 |
| 2021H1 | Support funds from Pujiang Town, Minhang District, Shanghai City | 1,170,000.00 |
| 2021H1 | Unspecified subsidies | 131,614.32 |
| 2021H1 | Unspecified subsidies | 562,823.10 |
| 2021H1 | Unspecified subsidies | 46,200.00 |
| 2021H1 | Enterprises support funds from Jiangxi Fengcheng City | 2,353,000.00 |
| 2021H1 | Enterprise Support Funds from Jiangling County | 20,000.00 |
| 2021H1 | Employment stabilization subsidies | 18,543.30 |
| 2021H1 | Conversion of deferred income subsidies | 928,064.00 |

Table 36: Subsidies (Deferred Income) received by Everjoy (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2019 | Special funds for indoor environment purification training base | 680,600.00 |

Table 37: Subsidies (Deferred Income) Stock of Everjoy at 31.12.2017

| Translated Description | Amount (RMB) |
|---|--------------|
| Enterprise Technology Centre | 1,300,000.00 |
| Special funds for indoor environment purification training base | 1,000,000.00 |
| Hydrated Nano Anion Health Board Project | 760,000.00 |
| Patent work pilot unit project | 280,000.00 |

Table 38: Subsidies (P/L relevant) received by Huida (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2018 | Export credit insurance support and development funds (second batch) | 300,000.00 |
| 2018 | Fengnan Bureau of Industry and Information Technology Dial-In Industrial Design Service Award | 1,105,000.00 |
| 2018 | Rewards for winning the Hebei Famous Brands Award for the first time from Fengnan District Market Supervision and Administration Bureau | 300,000.00 |
| 2018 | Hot blast stove renovation project | 1,722,000.00 |
| 2018 | Bathtub production line renovation project | 610,119.96 |
| 2018 | 2013 Provincial High-Tech and Strategic Emerging Industry Development Project | 500,000.04 |
| 2018 | CITIC Financial Subsidy | 391,400.00 |
| 2018 | Organization of the Fengnan District Committee of the Communist Party of China, Tangshan City | 40,500.00 |
| 2018 | Export credit insurance support and development funds from January to June 2017 | 68,300.00 |
| 2018 | Hebei Province Famous Brand Product Award Funds from the Market Supervision and Administration Bureau of Fengnan District, Tangshan City | 100,000.00 |
| 2018 | High pressure grouting engineering | 376,666.68 |
| 2018 | Patent Award (rewards for patents obtained from August 2017 to March 2018) from Fengnan District Science and Technology Bureau of Tangshan City | 40,400.00 |
| 2018 | Patent Award from Fengnan Science and Technology Bureau | 30,000.00 |
| 2018 | Rewards for winning the Hebei Provincial Government Quality Award for the first time from Fengnan District Market Supervision and Administration Bureau | 500,000.00 |
| 2018 | People's Property Insurance Credit Guarantee Subsidy | 1,204,708.40 |
| 2018 | Funds for the construction of employee housing | 1,631,033.28 |
| 2018 | Quality Award from Hebei Provincial Bureau of Quality and Technical Supervision | 500,000.00 |
| 2018 | 2016 R&D investment subsidy for large and medium-sized industrial enterprises above designated size from Fengnan District Science and Technology Bureau | 200,000.00 |
| 2018 | Enterprise incentives for Industrial Design Centre from the Bureau of Industry and Information Technology | 200,000.00 |
| 2018 | Central Government Foreign Economic and Trade Development Special Fund from the Centralized Payment Centre of Fengnan District, Tangshan City | 30,000.00 |

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2018 | Sanitary Ceramics Production Line Technical Transformation Project (Key Industry Revitalization) | 276,200.04 |
| 2018 | Wastewater Treatment project | 344,499.96 |
| 2018 | Funds for Sanitary Ceramics and Packaging Plant Technical Transformation Project | 185,533.32 |
| 2018 | 2018 Hebei Province Patent Grant from Fengnan District Science and Technology Bureau of Tangshan City | 5,000.00 |
| 2018 | Research on key technology of reducing air coefficient in sanitary ceramic kiln | 166,666.68 |
| 2018 | Compensation for land levelling and infrastructure construction | 637,199.88 |
| 2018 | Energy System Optimization Project | 421,982.88 |
| 2018 | Employment stabilization subsidies | 208,938.28 |
| 2018 | Construction of auxiliary employment agency of Fengnan Disabled Persons' Federation | 150,000.00 |
| 2018 | Industrial enterprise R&D awards from Fengnan Science and Technology Bureau | 150,000.00 |
| 2018 | Thin-walled and lightweight sanitary ceramic product development project | 116,666.64 |
| 2018 | Funds for interior wall tile production line with an annual output of 4.5 million square meters | 120,000.00 |
| 2018 | 3000t/d Ceramic Wastewater Treatment Project | 165,000.00 |
| 2018 | Funds for kiln renovation and waste heat utilization project at no. 1 branch factory | 57,666.72 |
| 2018 | Huida Cloud Service Platform Project | 60,000.00 |
| 2018 | Reconstruction and Expansion Project of Huida Group | 2,769,000.00 |
| 2018 | Sanitary ceramics digital development and intelligent moulding technology research project | 99,999.96 |
| 2018 | Smart Bathroom Digital Workshop | 3,333.33 |
| 2018 | Funds for the renovation of the sanitary ceramics production line of no. 1 branch factory | 30,000.00 |
| 2018 | Coal-fired boiler renovation project | 248,000.04 |
| 2018 | Harbin Daowai District Development and Reform Bureau Relocation Compensation | 158,943.00 |
| 2018 | R&D subsidies for enterprises listed by Fengnan Science and Technology Bureau | 50,000.00 |
| 2018 | One-time employment subsidy for Social Security Premiums from the Finance Bureau of Fengnan District, Tangshan City | 29,000.00 |
| 2018 | Funds for energy-saving kiln renovation | 90,000.00 |

| Year | Translated Description | Amount (RMB) |
|------|--|--------------|
| 2018 | Funds for the industrialization of high-grade sanitary Ceramics Products | 750,000.00 |
| 2018 | Funds for sanitary ceramics and supporting production line renovation project | 19,680.00 |
| 2018 | Huiqun Kiln Energy Saving Technical Transformation Project | 54,999.96 |
| 2018 | Government Quality Award from Tangshan Quality and Technical Supervision Bureau | 100,000.00 |
| 2018 | Boiler Retrofit Project | 69,999.96 |
| 2019 | Export credit insurance subsidies | 280,679.00 |
| 2019 | Special funds for technological transformation from Fengxin Bureau of Fengnan District | 1,000,000.00 |
| 2019 | Hot blast stove renovation project | 1,722,000.00 |
| 2019 | Bathtub production line renovation project | 610,119.96 |
| 2019 | China Export & Credit Insurance Corporation supporting funds | 106,597.00 |
| 2019 | High pressure grouting engineering | 376,666.68 |
| 2019 | Incentives from the Industry and Information Technology Bureau of Fengnan District | 600,000.00 |
| 2019 | Fengnan District Taxation Bureau individual income tax handling fee | 119,172.24 |
| 2019 | Special funds from Industry and Information Technology Bureau of Fengnan District Centralized Payment Centre | 100,000.00 |
| 2019 | Special fund for enterprise cloud migration of Fengnan Bureau of Industry and Information Technology | 350,880.00 |
| 2019 | Patent formation award from Fengnan Market Supervision and Administration Bureau | 36,000.00 |
| 2019 | Funds for the construction of employee housing | 1,631,033.28 |
| 2019 | Beijing China Exhibition Global Booth Fee | 72,600.00 |
| 2019 | Special funds for the integration of advanced IT in the production process from the Tangshan Bureau of Industry and Information Technology | 300,000.00 |
| 2019 | Sanitary Ceramics Production Line Technical Transformation Project (Key Industry Revitalization) | 276,200.04 |
| 2019 | Wastewater Treatment project | 344,499.96 |
| 2019 | Funds for Sanitary Ceramics and Packaging Plant Technical Transformation Project | 185,533.32 |
| 2019 | Research on key technology of reducing air coefficient in sanitary ceramic kiln | 166,666.68 |
| 2019 | Municipal-level funds for open economy development from the Commerce Bureau | 1,664,900.00 |

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2019 | Compensation for land levelling and infrastructure construction | 637,199.88 |
| 2019 | Energy System Optimization Project | 421,982.88 |
| 2019 | Thin-walled and lightweight sanitary ceramic product development project | 116,666.64 |
| 2019 | Special Subsidy Fund from the Market Supervision Administration | 15,000.00 |
| 2019 | Funds for sanitary ceramics production line project with an annual production of 2.8 million pieces | 166,666.67 |
| 2019 | Funds for interior wall tile production line with an annual output of 4.5 million square meters | 120,000.00 |
| 2019 | 3000t/d Ceramic Wastewater Treatment Project | 165,000.00 |
| 2019 | Funds for kiln renovation and waste heat utilization project at no. 1 branch factory | 57,666.72 |
| 2019 | Employment stabilization subsidies | 58,235.22 |
| 2019 | Subsidies for major projects of energy conservation, circular economy and resource conservation | 333,333.37 |
| 2019 | Huida Cloud Service Platform Project | 60,000.00 |
| 2019 | Reconstruction and Expansion Project of Huida Group | 2,769,000.00 |
| 2019 | Recruitment Award from Tangshan Human Resources and Social Security Bureau | 50,000.00 |
| 2019 | Sanitary ceramics digital development and intelligent moulding technology research project | 99,999.96 |
| 2019 | Smart Bathroom Digital Workshop | 39,999.96 |
| 2019 | Funds for the renovation of the sanitary ceramics production line of no. 1 branch factory | 30,000.00 |
| 2019 | Patent formation award from Fengnan Market Supervision and Administration Bureau | 300.00 |
| 2019 | Coal-fired boiler renovation project | 248,000.04 |
| 2019 | Subsidies for increasing R&D investment from the Bureau of Industry and Information Technology | 50,000.00 |
| 2019 | Talent Training Subsidy from Organization Department of Fengnan District Committee | 26,700.00 |
| 2019 | Funds for energy-saving kiln renovation | 90,000.00 |
| 2019 | Funds for sanitary ceramics and supporting production line renovation project | 19,680.00 |
| 2019 | Huiqun Kiln Energy Saving Technical Transformation Project | 54,999.96 |
| 2019 | Boiler Retrofit Project | 69,999.96 |
| 2019 | Compensation of VAT, taxes and surcharges related to retired soldiers | 119,999.99 |

| Year | Translated Description | Amount (RMB) |
|------|--|---------------|
| 2019 | Tax Subsidy for Investment Promotion in Rongchang District, Chongqing City | 1,433,982.00 |
| 2019 | Subsidy for the construction of phase 1 of the Chongqing smart home project | 372,100.80 |
| 2019 | Technical achievement subsidy of Fengnan Bureau of Industry and Information Technology | 4,800.00 |
| 2019 | Refund of 2018 Party Dues from Huanggezhuang Town | 12,600.58 |
| 2020 | China Export & Credit Insurance Corporation supporting funds | 1,018,579.01 |
| 2020 | Allocation of the second batch of special funds for foreign trade development in 2019 | 600,000.00 |
| 2020 | 2019 German ISH Overseas Exhibition Subsidy | 310,200.00 |
| 2020 | Special fund subsidy for open economy development in 2019 | 663,300.00 |
| 2020 | Hebei Province Sanitary Ceramics Engineering Technology Research Award | 800,000.00 |
| 2020 | Bathtub production line renovation project | 610,119.96 |
| 2020 | Promotion of city patent strategy in 2020 | 100,000.00 |
| 2020 | Refund of individual income tax handling fees | 658,741.57 |
| 2020 | PICC Financial Subsidy (Credit Guarantee) | 440,093.37 |
| 2020 | Subsidies from the Commerce Bureau and Investment Promotion Bureau of Fengnan District | 200,000.00 |
| 2020 | Employment stabilization subsidies | 18,238,259.92 |
| 2020 | Incentives from the Industry and Information Technology Bureau of Fengnan District | 100,000.00 |
| 2020 | High pressure grouting engineering | 376,666.68 |
| 2020 | Industry support special funds | 1,074,829.56 |
| 2020 | Funds for skill upgrading from the Human Resources and Social Security Administration | 2,733,200.00 |
| 2020 | Funds for the construction of employee housing | 1,631,033.28 |
| 2020 | Design Achievement Award of Fengnan Bureau of Industry and Information Technology - Zhou Xuqian | 201,700.00 |
| 2020 | New Apprentice Training Subsidy from the Tangshan municipal Finance Bureau | 1,150,000.00 |
| 2020 | 2019 Invention Patent Funding | 20,000.00 |
| 2020 | Industrial Enterprise Technological Transformation funds | 326,000.04 |
| 2020 | 2020 foreign trade development funds and 2018 anti-dumping subsidies | 28,000.00 |
| 2020 | Sanitary Ceramics Production Line Technical Transformation Project (Key Industry Revitalization) | 276,200.04 |

| Year | Translated Description | Amount (RMB) |
|------|--|--------------|
| 2020 | Wastewater Treatment project | 344,499.96 |
| 2020 | Funds for skill upgrading from the Human Resources and Social Security Administration | 509,760.00 |
| 2020 | Funds for Sanitary Ceramics and Packaging Plant Technical Transformation Project | 185,533.32 |
| 2020 | Special funds for vocational skill improvement | 337,200.00 |
| 2020 | 2019 Central Foreign Economic and Trade Development Special Fund Subsidy | 22,500.00 |
| 2020 | Compensation for land levelling and infrastructure construction | 637,199.88 |
| 2020 | Research on key technology of reducing air coefficient in sanitary ceramic kiln | 166,666.64 |
| 2020 | Energy System Optimization Project | 421,982.88 |
| 2020 | Special operation subsidy for Fengnan Safety Production Training Company | 124,300.00 |
| 2020 | Thin-walled and lightweight sanitary ceramic product development project | 116,666.64 |
| 2020 | 2019 standardization subsidy from the Bureau of Market Supervision | 22,000.00 |
| 2020 | Funds for sanitary ceramics production line project with an annual production of 2.8 million pieces | 166,666.67 |
| 2020 | Funds for interior wall tile production line with an annual output of 4.5 million square meters | 120,000.00 |
| 2020 | 3000t/d Ceramic Wastewater Treatment Project | 165,000.00 |
| 2020 | Funds for kiln renovation and waste heat utilization project at no. 1 branch factory | 57,666.72 |
| 2020 | Training Subsidies from the Social Security Centre of Daxing District | 62,000.00 |
| 2020 | Subsidies for major projects of energy conservation, circular economy and resource conservation | 333,333.37 |
| 2020 | Huida Cloud Service Platform Project | 60,000.00 |
| 2020 | Reconstruction and Expansion Project of Huida Group | 2,769,000.00 |
| 2020 | Incentive funds for small and micro high-tech enterprises in Fengnan District from the Industry and Information Technology Bureau of Tangshan City | 100,000.00 |
| 2020 | Refund of unemployment insurance contributions | 34,976.12 |
| 2020 | Sanitary ceramics digital development and intelligent moulding technology research project | 99,999.96 |
| 2020 | Smart Bathroom Digital Workshop | 39,999.96 |
| 2020 | Coal-fired boiler renovation project | 248,000.04 |

| Year | Translated Description | Amount (RMB) |
|--------|---|--------------|
| 2020 | Funds for the renovation of the sanitary ceramics production line of no. 1 branch factory | 30,000.00 |
| 2020 | Subsidy for filling in labour inspection data | 400.00 |
| 2020 | Funds for energy-saving kiln renovation | 90,000.00 |
| 2020 | Huiqun Kiln Energy Saving Technical Transformation Project | 54,999.96 |
| 2020 | Compensation of VAT, taxes and surcharges related to retired soldiers | 243,000.00 |
| 2020 | Tax Subsidy for Investment Promotion in Rongchang District, Chongqing City | 623,312.00 |
| 2020 | Subsidy for the construction of phase 1 of the Chongqing smart home project | 372,102.00 |
| 2020 | Boiler Retrofit Project | 69,999.96 |
| 2020 | Funds for sanitary ceramics and supporting production line renovation project | 19,680.00 |
| 2020 | Subsidies for pandemic prevention from Longgang District | 3,000.00 |
| 2021H1 | Export Credit Insurance Subsidy from the Business Promotion Bureau | 502,700.00 |
| 2021H1 | Reconstruction and Expansion Project of Huida Group | 1,384,500.00 |
| 2021H1 | Awards for Overseas Trademark Registration Project from the Business Promotion Bureau | 228,685.00 |
| 2021H1 | Smart Manufacturing awards for Sanitary Ceramics Production Line from the Business Promotion Bureau | 1,000,000.00 |
| 2021H1 | 2020 refund of individual income tax handling fees | 513,292.84 |
| 2021H1 | Industrial Design Award from the Bureau of Industry and Information Technology | 700,000.00 |
| 2021H1 | PICC Property and Casualty Insurance Support Fund | 17,440.50 |
| 2021H1 | Award for Huida Cambodia Experience Store from the Business Promotion Bureau | 100,000.00 |
| 2021H1 | Patent formation award from Fengnan Market Supervision and Administration Bureau | 5,600.00 |
| 2021H1 | Subsidies for solid waste processing and environmental protection Technology from the Science and Technology Bureau of Hebei Province | 700,000.00 |
| 2021H1 | Subsidies for DCMM data support from the Bureau of Industry and Information Technology | 350,000.00 |
| 2021H1 | Bathtub production line renovation project | 305,059.98 |
| 2021H1 | Party dues refund | 12,901.00 |
| 2021H1 | Funds for the construction of employee housing | 815,516.64 |
| 2021H1 | High pressure grouting engineering | 188,333.34 |

| Year | Translated Description | Amount (RMB) |
|--------|--|--------------|
| 2021H1 | Product Certification Award from the Business Promotion Bureau | 332,430.00 |
| 2021H1 | Foreign Trade Transformation Demonstration Base Award from the Business Promotion Bureau | 12,000.00 |
| 2021H1 | Subsidies from the Bureaux of Commerce and Investment Promotion | 100,000.00 |
| 2021H1 | Compensation for land levelling and infrastructure construction | 318,599.94 |
| 2021H1 | Industrial Enterprise Technological Transformation funds | 163,000.02 |
| 2021H1 | Wings Action subsidy from the Human Resources and Social Security Bureau | 136,650.00 |
| 2021H1 | Sanitary Ceramics Production Line Technical Transformation Project (Key Industry Revitalization) | 138,100.02 |
| 2021H1 | Subsidies for cloud migration from the Bureau of Industry and Information Technology | 10,000.00 |
| 2021H1 | Funds for sanitary ceramics production line project with an annual production of 2.8 million pieces | 250,000.02 |
| 2021H1 | Funds for interior wall tile production line with an annual output of 4.5 million square meters | 60,000.00 |
| 2021H1 | Provincial-level Industrial Design Award from the Bureau of Industry and Information Technology | 100,000.00 |
| 2021H1 | Wastewater Treatment project | 172,249.98 |
| 2021H1 | 3000t/d Ceramic Wastewater Treatment Project | 82,500.00 |
| 2021H1 | Huida Cloud Service Platform Project | 30,000.00 |
| 2021H1 | Thin-walled and lightweight sanitary ceramic product development project | 58,333.32 |
| 2021H1 | Energy System Optimization Project | 210,991.44 |
| 2021H1 | Funds for Sanitary Ceramics and Packaging Plant Technical Transformation Project | 92,766.66 |
| 2021H1 | Smart Bathroom Digital Workshop | 19,999.98 |
| 2021H1 | Sanitary ceramics digital development and intelligent moulding technology research project | 49,999.98 |
| 2021H1 | Subsidy for robotic and smart equipment application from the Bureau of Industry and Information Technology | 38,600.00 |
| 2021H1 | Tax refunds | 645,443.38 |
| 2021H1 | Funds for energy-saving kiln renovation | 45,000.00 |
| 2021H1 | Huiqun Kiln Energy Saving Technical Transformation Project | 27,499.98 |
| 2021H1 | Funds for kiln renovation and waste heat utilization project at no. 1 branch factory | 28,833.36 |
| 2021H1 | Subsidy for the construction of phase 1 of the Chongqing smart home project | 186,051.00 |

| Year | Translated Description | Amount (RMB) |
|--------|---|--------------|
| 2021H1 | Coal-fired boiler renovation project | 64,000.02 |
| 2021H1 | Subsidies for major projects of energy conservation, circular economy and resource conservation | 60,000.00 |
| 2021H1 | Boiler Retrofit Project | 34,999.98 |
| 2021H1 | Funds for the renovation of the sanitary ceramics production line of no. 1 branch factory | 15,000.00 |
| 2021H1 | Funds for sanitary ceramics and supporting production line renovation project | 9,840.00 |

Table 39: Subsidies (Deferred Income) received by Huida (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|---------------|
| 2018 | Research on key technology of reducing air coefficient in sanitary ceramic kiln | 500,000.00 |
| 2018 | Smart Bathroom Digital Workshop | 400,000.00 |
| 2019 | Subsidy for the capital construction of the first phase of Chongqing smart home | 11,163,024.00 |
| 2020 | Technological Transformation of Industrial Enterprises | 3,260,000.00 |

Table 40: Subsidies (Deferred Income) Stock of Huida at 31.12.2017

| Translated Description | Amount (RMB) |
|--|---------------|
| Employee apartment construction project | 41,591,350.11 |
| Compensation of expenses for land levelling and infrastructure construction | 27,027,894.33 |
| Reconstruction and Expansion Project of Huida Group | 17,174,416.66 |
| Subsidies for major projects of energy conservation, circular economy and resource conservation | 9,166,666.59 |
| High pressure grouting engineering | 9,039,999.96 |
| Energy System Optimization Project | 7,822,700.92 |
| Sanitary Ceramics and Packaging Plant Technical Transformation Project | 6,898,051.51 |
| Bathtub production line renovation project | 5,135,176.72 |
| Funds for sanitary ceramics production line project with an annual production of 2.8 million pieces | 4,499,999.99 |
| Wastewater Treatment project | 4,478,500.08 |
| Hot blast stove renovation project | 3,444,000.00 |
| Thin-walled and lightweight sanitary ceramic product development project | 2,994,444.63 |
| Coal-fired boiler renovation project | 2,215,333.26 |
| Sanitary Ceramics Production Line Technical Transformation Project (Key Industry Revitalization) | 1,956,416.48 |
| Kiln renovation and waste heat utilization project in No. 1 branch | 1,383,999.88 |
| 3000t/d Ceramic Wastewater Treatment Project | 1,058,750.00 |
| Sanitary ceramics digital development and intelligent moulding technology research project | 800,000.05 |
| Funds for interior wall tile project with an annual production of 4.5 million square meters | 770,000.00 |
| Subsidy fund for the industrialization project of fine ceramic sanitary ceramic products by the Science and Technology Bureau of Fengnan District, Tangshan City | 750,000.00 |
| Funds for the renovation of the sanitary ceramics production line in no. 1 branch | 720,000.00 |
| Kiln energy-saving renovation project | 577,500.00 |
| Huida Cloud Service Platform Project | 520,000.00 |
| Boiler Retrofit Project | 420,000.14 |
| Sanitary ceramics and supporting production line renovation project | 372,280.00 |
| Huiqun Kiln Energy Saving Technical Transformation Project | 352,916.81 |

Table 41: Subsidies (P/L relevant) received by Monalisa (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|---------------|
| 2018 | 2016 Beidouxing Enterprise Support and Incentive Funds | 23,064,400.00 |
| 2018 | Provincial Financial Subsidy Funds for Enterprise R&D in 2017 | 2,718,500.00 |
| 2018 | 2017 Supporting Funds for the Development of Foshan Equipment Manufacturing Industry | 610,000.00 |
| 2018 | Special Fund for Strengthening Intellectual Property Work in 2018 - China Patent Award | 500,000.00 |
| 2018 | Allocation from the third batch of 2017 Nanhai District brand strategy and independent innovation promotion support awards | 2,200,000.00 |
| 2018 | 2018 special support fund for the development of cultural, sports and tourism industry in Nanhai District | 150,000.00 |
| 2018 | 2016 Foshan Invention Patent Funds | 399,000.00 |
| 2018 | Allocation of the first batch of Nanhai District support funds for promoting brand strategy and independent innovation projects in 2018 | 300,000.00 |
| 2018 | Incentives for brand strategy and independent innovation from Nanhai District (first batch of 2018 Chinese patent excellence awards) | 300,000.00 |
| 2018 | Brand strategy and independent innovation reward and support funds | 100,000.00 |
| 2018 | Asset-related government grants | 6,636,102.31 |
| 2018 | Allocation from the third batch of 2017 support funds for promoting invention patent work in 2017 | 140,100.00 |
| 2018 | Refund of individual income tax handling fees | 203,479.72 |
| 2018 | Support funds for listing shares from Nanhai District, Foshan City | 2,500,000.00 |
| 2018 | Subsidies for reducing the cost of electricity and gas used by enterprises in the first half of 2017 | 542,340.00 |
| 2018 | 2018 Foshan City Industrial Product Quality Improvement Support Fund (3 Guangdong Quality Brand Certification Titles) | 300,000.00 |
| 2018 | Unspecified subsidies | 767,644.17 |
| 2018 | Unspecified subsidies | 110,307.88 |
| 2018 | Front-line Team Award from Nanhai District Government | 300,000.00 |
| 2018 | Postdoctoral Research Funds and Equivalent Award Funds from Nanhai District | 300,000.00 |
| 2018 | China Postdoctoral Science Foundation | 150,000.00 |
| 2018 | Employment stabilisation subsidies from the Foshan Unemployment Insurance | 165,680.19 |
| 2018 | Support funds for curbing of air pollution in the ceramics industry | 600,000.00 |

| Year | Translated Description | Amount (RMB) |
|------|---|---------------|
| 2018 | Allocation of the first batch of support funds for the listing of enterprises in 2018 | 500,000.00 |
| 2018 | Special funds (technical transformation of enterprises) | 117,947.00 |
| 2018 | 2016 Foshan Science and Technology Award Project | 100,000.00 |
| 2018 | Special funds for the Eagle Program | 250,000.00 |
| 2019 | Unspecified subsidies | 969,381.46 |
| 2019 | 2017 Foshan Patent Funds | 503,000.00 |
| 2019 | 2017 Beidouxing Enterprise Support Award | 6,912,600.00 |
| 2019 | Funds for party building work of the two new organizations in 2018 | 21,900.00 |
| 2019 | Support Fund from Foshan Nanhai District Economic Promotion Bureau (Nomination Award of China Quality Award) | 3,000,000.00 |
| 2019 | 2018 Innovation Platform Development Support Incentives from Nanhai District Science and Technology Department | 1,569,800.00 |
| 2019 | Subsidies promoting the "Coal-to-Gas" transition of Ceramic Production Lines | 2,500,000.00 |
| 2019 | Top 50 Benchmark High-tech Enterprises in Foshan in 2018 | 1,000,000.00 |
| 2019 | District-level subsidy funds for Foshan's benchmark high-tech enterprises in 2018 | 1,000,000.00 |
| 2019 | 2019 Foshan Technical Standards Strategic Fund Project Funding | 100,000.00 |
| 2019 | Supporting funds for the 2018 Guangdong Science and Technology Award | 1,000,000.00 |
| 2019 | 2019 Qingyuan Municipal Industrial Enterprise Technical Transformation Special Fund Project | 1,000,000.00 |
| 2019 | 2016-2017 special funds compensating enterprise research and development expenses from Foshan City | 1,050,800.00 |
| 2019 | Subsidies for the 3rd China Quality Nomination Award from Nanhai District Market Supervision and Administration Bureau of Foshan City | 1,500,000.00 |
| 2019 | Unspecified subsidies | 2,231,562.07 |
| 2019 | Support funds from Foshan Nanhai District Economic Promotion Bureau (leading the formulation of 1 national standard) | 500,000.00 |
| 2019 | Support funds from Foshan Nanhai District Economic Promotion Bureau (Participation in the formulation of 1 national standard) | 100,000.00 |
| 2019 | "Four Up" Enterprise Cultivation Rewards and Support from Foshan City, Nanhai District | 100,000.00 |
| 2019 | High-quality enterprise listing support funds | 2,000,000.00 |
| 2019 | Beidouxing Support Reward | 13,000,000.00 |

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2019 | 2019 Provincial Science and Technology Innovation Strategy Special Fund (Science and Technology Award Fund) | 300,000.00 |
| 2019 | Research funding for postdoctoral research station | 250,000.00 |
| 2019 | Funds for new postdoctoral research position | 200,000.00 |
| 2019 | Employment stabilization subsidies | 374,488.80 |
| 2019 | Employment Stabilization Funds from the Social Insurance Fund Administration | 337,689.57 |
| 2019 | Electricity subsidies for the second half of 2017 from Foshan Nanhai District Economic and Technology Promotion Bureau (Economic and Trade) | 446,700.00 |
| 2019 | 2018 municipal subsidy fund for recognised high and new technology enterprises | 100,000.00 |
| 2019 | Foshan engine energy efficiency Improvement Subsidy (Tenth Batch) Provincial level | 303,948.00 |
| 2019 | 2018 Municipal Economic and Technological Development Special Fund (Energy Saving Project) | 200,000.00 |
| 2019 | District-level funds for engine energy efficiency improvement | 168,758.00 |
| 2020 | Unspecified subsidies | 1,027,348.22 |
| 2020 | Unspecified subsidies | 30,100.00 |
| 2020 | 2017-2018 Expenses for the promotion of invention patents in the Nanhai District | 602,910.00 |
| 2020 | Subsidy funds for reducing the cost of electricity and gas for enterprises in 2019 | 2,501,600.00 |
| 2020 | Intellectual property subsidies from Foshan Nanhai District Market Supervision and Administration Bureau | 500,000.00 |
| 2020 | Subsidy funds for basic electricity charges for transformer capacity of large industrial enterprises in 2018 | 1,068,480.00 |
| 2020 | 2020 Incentive Funds for Brand Strategy and Independent Innovation Support | 500,000.00 |
| 2020 | Subsidies for basic electricity fees | 733,999.65 |
| 2020 | 2019 Foshan Advanced Manufacturing Industry Cluster Support Fund | 1,000,000.00 |
| 2020 | 2019 Foreign Economic and Trade Development Funds from the Central Government | 177,854.00 |
| 2020 | In 2018, the subsidy fund to reduce the electricity cost of enterprises | 717,320.00 |
| 2020 | 2020 Brand Strategy Innovation Support Fund | 300,000.00 |
| 2020 | 2019 Nanhai District Science and Technology Innovation Platform Development Support Award | 897,315.31 |

| Year | Translated Description | Amount (RMB) |
|------|--|---------------|
| 2020 | District-level awards for national and provincial intellectual property demonstration advantageous enterprises | 180,000.00 |
| 2020 | Funds for Foshan major science and technology project (enterprise research institute construction project) | 716,666.78 |
| 2020 | 2019 Patent Support and Intellectual Property Special Fund | 175,312.00 |
| 2020 | Subsidy funds compensating R&D expenses of high and new technology enterprises in Foshan City in 2019 | 884,600.00 |
| 2020 | Incentives for smart and digital workshop | 500,000.00 |
| 2020 | District-level supporting funds for major science and technology projects in Foshan (application-oriented core technology research areas) | 600,000.00 |
| 2020 | 2018 Foreign Economic and Trade Development Funds from the Central Government | 123,141.00 |
| 2020 | One-time support fund for copyright demonstration units, parks and bases in Foshan City, Propaganda Department of the Communist Party of China Foshan City Committee | 100,000.00 |
| 2020 | Guangdong Patent Excellence Award | 100,000.00 |
| 2020 | 2020 central government Foreign Economic and Trade Development funds (Key Development Items) Project (Phase 1)- Foshan Nanhai District Economic Promotion Bureau | 115,280.00 |
| 2020 | 2020 Foshan funds for new full-time postdoctoral researchers | 400,000.00 |
| 2020 | Subsidies for on-the-job training of employees | 2,519,800.00 |
| 2020 | Employment stabilization subsidies | 909,885.79 |
| 2020 | Foshan City's special support funds for assured consumer units | 100,000.00 |
| 2020 | Online job training subsidy | 824,000.00 |
| 2020 | Beidouxing Support Reward | 14,650,400.00 |
| 2020 | 2020 Qingyuan Science and Technology Plan Project Funds | 300,000.00 |
| 2020 | Funds for creating a post-doctoral researcher position in the first half of 2020 | 250,000.00 |
| 2020 | 2020 Guangdong Province Enterprise Science and Technology Commissioner Special Project Funding | 189,000.00 |
| 2020 | Loan interest subsidies for production resumption loans | 100,000.00 |
| 2020 | Loan interest subsidies for production resumption loans | 80,000.00 |
| 2020 | Funds for economic development promotion in 2020 and support for industrial Internet development | 160,000.00 |
| 2020 | Financial incentives for industrial enterprises to resume work and production | 733,999.66 |
| 2020 | Subsidies for Economic and Technological Development | 156,995.41 |

| Year | Translated Description | Amount (RMB) |
|--------|---|--------------|
| 2020 | 2018 Nanhai District Special Support Fund for Promoting the Development of High and New Technology Enterprises | 155,000.00 |
| 2020 | 2020 Municipal Industrial Enterprise Technological Transformation Fixed Assets Investment Award and Subsidy Fund (second batch of market parts) | 155,000.00 |
| 2020 | Clean production special fund | 608,685.66 |
| 2020 | Delayed return to work allowance | 104,594.50 |
| 2020 | 2019 Municipal Economic and Technological Development Special Fund (Share of the Economic and Information Technology Bureau) | 100,000.00 |
| 2020 | Foshan engine energy efficiency Improvement Subsidy (Ninth Batch) District Level | 251,298.00 |
| 2020 | 2017 Green Manufacturing System Integration Project Award | 560,000.00 |
| 2020 | Special funds for green development of municipal industrial enterprises in 2020 | 500,000.00 |
| 2020 | Provincial Department of Ecology and Environment funds for pollution prevention and control in 2020 | 500,000.00 |
| 2020 | Energy saving and resource saving and pollution control | 5,290.05 |
| 2020 | 12-year Enterprise Energy Management Centre Award from the Finance Bureau of Xiqiao Town, Nanhai District, Foshan City | 0.33 |
| 2021H1 | Provincial Department of Ecology and Environment funds for pollution prevention and control in 2020 | 7,500,000.00 |
| 2021H1 | Municipal supporting funds for industrial clean energy transformation (district-level supporting part) | 4,000,000.00 |
| 2021H1 | 2020 central government foreign trade and economic development special fund (addressing trade frictions) in response to U.S. antidumping and countervailing duty investigations of ceramic tiles from China-South China Sea Economic Promotion Bureau | 222,795.00 |
| 2021H1 | 2020 Special Funds for Intellectual Property | 393,240.00 |
| 2021H1 | 2020 Nanhai District Science and Technology Innovation Platform Development Support Award | 1,000,000.00 |
| 2021H1 | 2020 Foshan Foreign Trade High-Quality Development Project (supporting small, medium and micro enterprises to insure export credit insurance) from Nanhai District Economic Promotion Bureau | 1,600.00 |
| 2021H1 | China Invention Patent Funding | 210,000.00 |
| 2021H1 | Complementary funds for Clean Energy Transformation of the Architectural Ceramics Industry of Foshan City (Municipal Contribution) | 2,354,000.00 |
| 2021H1 | High and New Technology Enterprise R&D Expense Subsidy from Foshan Science and Technology Bureau | 1,031,900.00 |

| Year | Translated Description | Amount (RMB) |
|--------|--|--------------|
| 2021H1 | 2021 Foshan Standardization Strategy Special Fund | 50,000.00 |
| 2021H1 | 2021 Provincial Special Fund for Promoting High-quality Economic Development | 50,000.00 |
| 2021H1 | China Invention Patent Annual Fee Subsidy | 127,470.00 |
| 2021H1 | Funds for party building work of the two new organizations | 30,300.00 |
| 2021H1 | Online job training for employees | 962,000.00 |
| 2021H1 | Accelerate the resumption of work and production of enterprises with financial incentives and subsidies | 100,000.00 |
| 2021H1 | Registered Trademark Award for the First Half of 2020 from Nanhai District | 10,000.00 |
| 2021H1 | Intellectual Property Subsidies | 9,730.00 |
| 2021H1 | Industrial Enterprise Technological Transformation Fixed Assets Investment incentives and subsidies | 289,200.00 |
| 2021H1 | Incentives for registered trademarks in Nanhai District in the second half of 2020 | 3,000.00 |
| 2021H1 | 2020 Central government Foreign Economic and Trade Development Special Fund (to deal with trade frictions) responds to the investigation of Ecuador's ceramic tile safeguard measures government subsidies-South China Sea Economic Promotion Bureau | 14,374.00 |
| 2021H1 | 2020 Copyright Registration Funding | 2,500.00 |
| 2021H1 | Refund of expenses for auxiliary infrastructure construction | 1,500,000.00 |
| 2021H1 | Refund of expenses for auxiliary infrastructure construction | 100,000.00 |
| 2021H1 | Subsidies for Online job-oriented vocational skills training | 333,000.00 |
| 2021H1 | Training subsidies for enterprise employees | 246,000.00 |
| 2021H1 | Intellectual Property Subsidies | 1,386.00 |
| 2021H1 | Subsidy for online vocational skills training for enterprise employees from the Guangdong Provincial Department of Human Resources and Social Security | 92,000.00 |
| 2021H1 | Job training subsidies from the Human Resources and Social Security Bureau of Nanhai District | 55,000.00 |
| 2021H1 | Job training subsidies for employees | 40,000.00 |
| 2021H1 | 2021 Foshan City Industrial Product Quality Improvement Support (Quality Development Category) | 100,000.00 |
| 2021H1 | Subsidy funds for gas use in industrial enterprises | 418,200.00 |
| 2021H1 | Clean production special fund | 272,800.79 |
| 2021H1 | Subsidies for on-the-job training of employees from the Bureau of Human Resources and Social Security | 31,000.00 |

| Year | Translated Description | Amount (RMB) |
|--------|--|--------------|
| 2021H1 | Job training subsidy for enterprise employees-Human Resources and Social Security Bureau of Nanhai District, Foshan City | 23,000.00 |
| 2021H1 | Subsidies for Economic and Technological Development | 3,198.73 |
| 2021H1 | Employment subsidy for poor laborers | 20,000.00 |
| 2021H1 | Employment subsidies for poor laborers | 10,000.00 |
| 2021H1 | Enterprise Recruitment and New Employee Support Subsidy | 2,100.00 |
| 2021H1 | Delayed return to work allowance | 1,819.00 |
| 2021H1 | Enterprise Recruitment and New Employee Support Subsidy | 1,200.00 |
| 2021H1 | Allocation of the first batch of 2021 industrial design support funds in Nanhai District | 10,000.00 |
| 2021H1 | 2019 Nanhai District Special Support Fund for Promoting High-quality Development of High and New Technology Enterprises | 5,000.00 |

Table 42: Subsidies (Deferred Income) received by Monalisa (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2018 | 2016-2017 Major Science and Technology Project Award of Foshan City - R&D and Industrialization Project of Ultra-large Ceramic plates | 400,000.00 |

Table 43: Subsidies (Deferred Income) Stock of Monalisa at 31.12.2017

| Translated Description | Amount (RMB) |
|---|--------------|
| Cleaner production special fund | 7,739,743.88 |
| Energy saving and resource saving and pollution control | 1,211,440.82 |
| Special Economic and Technological Development | 1,059,071.95 |
| Science and Technology Innovation Project | 1,000,000.00 |
| 2017 Green Manufacturing System Integration Project Award | 560,000.00 |
| 12-year special fund for enterprise energy management centre by Finance Bureau of Xiqiao Town, Nanhai District, Foshan City | 452,530.02 |

Table 44: Subsidies (P/L relevant) received by Sitong (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2018 | Special funds for foreign trade and economic development in 2017 | 1,610,000.00 |
| 2018 | Provincial Financial Subsidy Funds for Enterprise R&D in 2017 | 1,056,300.00 |
| 2018 | Funds for Waste Porcelain Reuse and Resource Recycling Base Construction Project | 473,472.83 |
| 2018 | Special funds for domestic and foreign economic and trade development and port construction in 2017 | 91,400.00 |
| 2018 | Subsidy to promote stable growth of foreign trade and economic cooperation | 90,000.00 |
| 2018 | Special funds for domestic and foreign economic and trade development and port construction in 2017 | 72,000.00 |
| 2018 | 2016 special funds for foreign trade and economic development | 69,000.00 |
| 2018 | Transformation and upgrading of daily-use ceramics and energy-saving demonstration projects for wide-body tunnel kilns in colleges and universities | 554,207.69 |
| 2018 | Unspecified subsidies | 94,471.00 |
| 2018 | Production support funds for promoting the development of the top 50 taxpayers | 200,000.00 |
| 2018 | Energy-saving technology transformation of wide-body daily-use ceramic gas-fired tunnel kiln | 200,000.04 |
| 2018 | High-end daily-use ceramic production line clean production comprehensive technical transformation project | 200,000.04 |
| 2018 | Waste ceramic recycling technology application demonstration project | 298,089.96 |
| 2018 | Special funds for industry and information technology | 136,600.00 |
| 2018 | Waste Porcelain Recycling Industrialization Demonstration Production Line Construction | 276,017.76 |
| 2018 | Energy Management Centre Construction Project (Special Funds for Energy Conservation and Circular Economy) | 260,571.38 |
| 2018 | Special funds for the development of cultural industries | 300,000.00 |
| 2018 | Funds for strategically funded projects by the Finance Bureau of Fengxi District, Chaozhou City | 13,900.00 |
| 2018 | Funds for new manufacturing method of plastic and pearl powder synthetic decorative display art porcelain | 20,000.04 |
| 2018 | Funds for the Technical Transformation of Large Section High-efficiency and Energy-saving Gas Tunnel Kiln | 106,315.80 |
| 2018 | Special funds for energy conservation | 20,000.00 |
| 2018 | Ceramic Waste Disposal Point Subsidy | 50,000.00 |

| Year | Translated Description | Amount (RMB) |
|------|--|--------------|
| 2018 | Funds for the development and Industrialization of Eco-friendly Ceramics Technology | 23,362.32 |
| 2019 | 2018 Central Government Development Fund | 43,170.00 |
| 2019 | Funds for key energy conservation projects | 2,852,041.36 |
| 2019 | Transformation and upgrading of daily-use ceramics and high-efficiency and energy-saving demonstration project of wide-body tunnel kiln | 1,006,371.00 |
| 2019 | Special funds for promoting economic development (promoting export credit insurance projects) | 204,874.77 |
| 2019 | Special funds for intellectual property rights (industrialization of patented technology for plastic and pearl powder synthetic decorative art porcelain) | 80,000.00 |
| 2019 | 2016 special funds for foreign trade and economic development | 69,000.00 |
| 2019 | Key technology research and industrialization demonstration of glaze isolation printing and colour daily-use porcelain | 209,438.01 |
| 2019 | Transformation and upgrading of high-end reinforced porcelain and technical transformation project for the application of high-efficiency firing results in tunnel kilns | 311,953.09 |
| 2019 | Energy-saving technology transformation of wide-body daily-use ceramic gas-fired tunnel kiln | 200,000.04 |
| 2019 | High-end daily-use ceramic production line clean production comprehensive technical transformation project | 200,000.04 |
| 2019 | Funds for the Technical Transformation of Large Section High-efficiency and Energy-saving Gas Tunnel Kiln | 106,315.80 |
| 2019 | Waste ceramic recycling technology application demonstration project | 298,089.96 |
| 2019 | Funds for Waste Porcelain Reuse and Resource Recycling Base Construction Project | 153,936.74 |
| 2019 | Waste Porcelain Recycling Industrialization Demonstration Production Line Construction | 137,817.02 |
| 2019 | Chaozhou City Special Fund for Science and Technology (first batch) | 40,000.00 |
| 2019 | Funds for the development and Industrialization of Eco-friendly Ceramics Technology | 23,362.32 |
| 2019 | Funds for new manufacturing method of plastic and pearl powder synthetic decorative display art porcelain | 20,000.04 |
| 2019 | Major project award funds | 50,000.00 |
| 2019 | Ceramic Waste Disposal Point Subsidy | 50,000.00 |
| 2019 | Development and application demonstration of multi-robot collaborative smart glaze spraying production line for ceramic sanitary ware | 7,500.00 |

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2020 | Special funds for the implementation of technical standards strategy in 2019 | 12,800.00 |
| 2020 | 2020 funding for high-quality projects to promote the economy | 204,355.00 |
| 2020 | China Export & Credit Insurance Corporation Guangdong Branch transfers provincial short-term insurance premium support fund subsidy | 137,385.91 |
| 2020 | Transformation and upgrading of high-end reinforced porcelain and technical transformation project for the application of high-efficiency firing results in tunnel kilns | 804,139.36 |
| 2020 | 2020 Provincial-level Special Support Fund for Promoting High-quality Development of Foreign Trade (Third Batch) - 7th Guangdong Patent Award from the Finance Bureau of Fengxi District, Chaozhou City | 200,000.00 |
| 2020 | Technological transformation project of waste heat utilization of sanitary ceramic automatic grouting production line and intelligent tube panel of kiln | 2,672,238.32 |
| 2020 | Architectural and sanitary ceramics waste materials recycling technology innovation and Industrialization Demonstration Project | 1,701,217.98 |
| 2020 | Funds for the synergistic utilization of waste ceramic resources for sanitary ceramics production | 708,137.52 |
| 2020 | Refund of individual income tax handling fees | 387.08 |
| 2020 | 2020 Promotion funds for High-quality Economic Project - National Intellectual Property Demonstration Enterprise Cultivation - Subsidy for Newly Recognized National Intellectual Property Enterprise in 2019 from the Finance Bureau of Fengxi District, Chaozhou City | 50,000.00 |
| 2020 | 2016 Foreign Economic and Trade Development Special Brand Product R&D Subsidy | 69,000.00 |
| 2020 | 1.2 million new development and design centre construction project | 377,278.20 |
| 2020 | Refund of unemployment insurance premiums to affected enterprises | 1,563,793.94 |
| 2020 | Subsidies for on-the-job training from the Human Resources and Social Security Bureau of Fengxi District, Chaozhou City | 1,366,500.00 |
| 2020 | Transformation and upgrading of daily-use ceramics and energy-saving demonstration projects for wide-body tunnel kilns in colleges and universities | 1,006,371.00 |
| 2020 | Special support funds for promoting high-quality development of foreign trade in 2019 | 65,000.00 |
| 2020 | 2019 Special Support Fund for Promoting the High-quality Development of Foreign Trade from the Finance Bureau of Fengxi District, Chaozhou City | 60,000.00 |

| Year | Translated Description | Amount (RMB) |
|--------|--|--------------|
| 2020 | Special funds for foreign trade and economic development in 2019 | 24,840.00 |
| 2020 | Waste ceramic recycling technology application demonstration project | 298,089.96 |
| 2020 | Subsidies for credit insurance premium from Guangdong Industry and Trade Comprehensive Service Company | 2,337.23 |
| 2020 | Wide-body daily-use tunnel kiln | 200,000.04 |
| 2020 | Key technology research and industrialization demonstration of glaze isolation printing and colour daily-use porcelain | 113,256.12 |
| 2020 | Guangdong provincial unemployment insurance 2019 clearing funds for Employment Stabilization | 69,122.71 |
| 2020 | Waste Porcelain Recycling Industrialization Demonstration Production Line Construction | 123,982.20 |
| 2020 | Funds for Waste Porcelain Reuse and Resource Recycling Base Construction Project | 48,538.92 |
| 2020 | Employment stabilization subsidies | 34,307.62 |
| 2020 | Special funds for high-quality development of Chaozhou Fengxi District Finance Bureau | 244,232.00 |
| 2020 | Funds for the Technical Transformation of Large Section High-efficiency and Energy-saving Gas Tunnel Kiln | 106,315.80 |
| 2020 | Funds for new manufacturing method of plastic and pearl powder synthetic decorative display art porcelain | 20,000.04 |
| 2020 | Development and application demonstration of multi-robot collaborative smart glaze spraying production line for ceramic sanitary ware | 30,000.00 |
| 2020 | Funds for the development and Industrialization of Eco-friendly Ceramics Technology | 17,447.54 |
| 2020 | High-end daily-use ceramic production line clean production comprehensive technical transformation project | 16,666.51 |
| 2020 | Guangdong Yuexin Network Technology Co., Ltd. Mayor's Cup "Advanced Ceramic Parts Precision Manufacturing Technology" Silver Award Fund | 6,000.00 |
| 2021H1 | Research and development of high thermal stability and high strength jade glazed daily-use porcelain | 1,500,000.00 |
| 2021H1 | 2020 special funds for foreign trade development | 200,000.00 |
| 2021H1 | Architectural and sanitary ceramics waste materials recycling technology innovation and Industrialization Demonstration Project | 927,937.08 |
| 2021H1 | Transformation and upgrading of high-end reinforced porcelain and technical transformation project for the application of high-efficiency firing results in tunnel kilns | 353,405.16 |

| Year | Translated Description | Amount (RMB) |
|--------|--|--------------|
| 2021H1 | Subsidies for Tunnel Kiln Energy Saving Technology Transformation | 596,500.00 |
| 2021H1 | New development and design centre construction project | 188,639.10 |
| 2021H1 | Funds for the synergistic utilization of waste ceramic resources for sanitary ceramics production | 354,068.76 |
| 2021H1 | Invention Patent Award | 5,000.00 |
| 2021H1 | Job training subsidy | 539,000.00 |
| 2021H1 | Patent Application Fee Subsidy | 3,000.00 |
| 2021H1 | Transformation and upgrading of daily-use ceramics and energy-saving demonstration projects for wide-body tunnel kilns in colleges and universities | 503,185.50 |
| 2021H1 | Waste ceramic recycling technology application demonstration project | 261,985.81 |
| 2021H1 | Technological transformation project of waste heat utilization of sanitary ceramic automatic grouting production line and intelligent tube panel of kiln | 175,969.86 |
| 2021H1 | Waste Porcelain Recycling Industrialization Demonstration Production Line Construction | 159,753.60 |
| 2021H1 | Funds for Waste Porcelain Reuse and Resource Recycling Base Construction Project | 51,236.57 |
| 2021H1 | Key technology research and industrialization demonstration of glaze isolation printing and colour daily-use porcelain | 56,628.06 |
| 2021H1 | Patent annual fee subsidy | 1,200.00 |
| 2021H1 | Patent annual fee subsidy | 900.00 |
| 2021H1 | Public Service Platform of Guangdong Craft Ceramic Engineering Technology Research and Development Centre | 34,500.00 |
| 2021H1 | Subsidy for unemployment insurance, refund of individual income tax handling fees | 24,242.21 |
| 2021H1 | Energy-saving technology transformation of wide-body daily-use ceramic gas-fired tunnel kiln | 100,000.02 |
| 2021H1 | Employment stabilization subsidies and refund of unemployment insurance premiums | -6,292.86 |
| 2021H1 | Funds for the Technical Transformation of Large Section High-efficiency and Energy-saving Gas Tunnel Kiln | 53,157.90 |
| 2021H1 | Funds for new manufacturing method of plastic and pearl powder synthetic decorative display art porcelain | 10,000.02 |
| 2021H1 | Development and application demonstration of multi-robot collaborative smart glaze spraying production line for ceramic sanitary ware | 15,000.00 |

Table 45: Subsidies (Deferred Income) received by Sitong (2018-2021H1)

| Year | Translated Description | Amount (RMB) |
|------|---|--------------|
| 2018 | National Development Guidance Fund of Fengxi District Finance Bureau | 6,700,000.00 |
| 2018 | Provincial and Municipal Linkage Project-Zhongshan-Chaozhou (Fengxi) Industrial Innovation Centre Construction Project-Guangdong Hengde Entrepreneurship Incubation Co., Ltd. | 500,000.00 |
| 2019 | Research and development of high thermal stability and high strength jade glazed daily-use porcelain | 1,500,000.00 |
| 2020 | Doctor Station Construction Subsidy | 500,000.00 |
| 2020 | Research and development of new material technology for glazed surface wear-resistant and scratch-resistant high-grade daily-use porcelain | 1,000,000.00 |

Table 46: Subsidies (Deferred Income) Stock of Sitong at 31.12.2017

| Translated Description | Amount (RMB) |
|--|---------------|
| Technology Innovation and Industrialization Demonstration Project of Recycling and Utilization of Building Sanitary Ceramic Waste | 17,000,000.00 |
| Transformation and upgrading of daily-use ceramics and energy-saving demonstration projects for wide-body tunnel kilns in colleges and universities | 9,000,000.00 |
| Funds for key energy conservation projects | 6,000,000.00 |
| High thermal stability, high strength bone china research and development technical group | 5,000,000.00 |
| Technological transformation of waste heat utilization of sanitary ceramic automatic grouting production line and intelligent tube panel of kiln | 4,080,000.00 |
| Display Art Porcelain Creative Design Industrial Park Construction | 4,000,000.00 |
| Transformation and upgrading of high-end reinforced porcelain and technical transformation project for the application of high-efficiency firing results in tunnel kilns | 4,000,000.00 |
| Comprehensive energy saving and environmental protection technology and engineering demonstration of super large section intelligent ceramic gas tunnel kiln | 3,350,000.00 |
| Special Fund for Industrial IT application | 1,200,000.00 |
| Demonstration project of waste ceramic recycling technology application | 1,160,495.59 |
| New construction project with an annual output of 800,000 pieces of sanitary ceramics (comprehensive utilization of waste ceramics) | 1,000,000.00 |
| Energy-saving technology transformation of wide-body daily-use ceramic gas-fired tunnel kiln | 699,999.74 |
| Construction of Industrialized Demonstration Production Line for Waste Ceramic Recycling | 647,583.05 |
| Waste Porcelain Reuse and Resource Recycling Base Construction | 589,544.43 |
| 2016 Special funds for foreign trade and economic development | 523,250.00 |
| Technical Transformation of Large Section High-efficiency and Energy-saving Gas Tunnel Kiln | 372,105.21 |
| Development and application demonstration of multi-robot collaborative intelligent glaze spraying production line for ceramic sanitary ware industry | 300,000.00 |
| High-end daily-use ceramic production line cleaner production comprehensive technical transformation project | 216,666.55 |
| Funds for a new manufacturing method of plastic and pearl powder synthetic decorative display art porcelain | 154,999.91 |
| Research and Industrialization of Eco-Ceramic Technology | 40,809.86 |

ANNEX 2 LEADING CHINESE CERAMIC TILE MANUFACTURERS

Table 47: Top20 Ceramic Tile Producers in 2020

| Group Company | Production Plant (with kiln) |
|---------------------------------------|--|
| New Pearl Ceramics Group | Foshan Sanshui New Pearl Ceramics Industry Co., Ltd., Guangdong Summit Ceramics Co., Ltd., (Biqing) Hubei New Pearl Green Building Materials Technology Co., Ltd., Jiangxi New Pearl Building Materials Co., Ltd. |
| Wonderful Group | Guangdong Wonderful Ceramics Co., Ltd., (Dongguan) Guangdong Jiamei Ceramics Co., Ltd. (Qingyuan) Jiangxi Hemei Ceramics Co., Ltd. |
| Huashuo Ceramics Group | Jiangxi Huashuo Ceramics Co., Ltd. Jiangxi Ruixue Ceramics Co., Ltd. Jiangxi New Vision Ceramics Co., Ltd. Jiangxi Huarui New Material Technology Co., Ltd. (Pingxiang) |
| Hongyu Group | Guangdong Hongtao Ceramics Co., Ltd. Guangdong Wei Ceramics Industry Co., Ltd. Guangdong Honghai Ceramics Industry Development Co., Ltd. Guangdong Hongyu New Materials Co., Ltd. |
| Guangdong Dongpeng | Qingyuan Nafuna Ceramics Co., Ltd. Fengcheng Dongpeng Ceramics Co., Ltd. Zibo Kapoor Ceramics Co., Ltd. Lixian Xinpeng Ceramics Co., Ltd. Chongqing Dongpeng Smart Home Co., Ltd. Shanxi Dongpeng New Materials Co., Ltd. |
| Guangxi Xinquanye Ceramics | Sihui Xinquanye Ceramics Co., Ltd. Sihui Quansheng Ceramics Co., Ltd. Guangdong Shenghui Ceramics Co., Ltd. (Zhaoqing) Guangxi Xinquanye Ceramics Co., Ltd. |
| Monalisa | Xiqiao Base Guangdong Qingyuan Monalisa Building Ceramics Co., Ltd. Guangxi Monalisa New Materials Co., Ltd. Gao'an Zhimeishande New Materials Co., Ltd. |
| Guangdong Wusheng Ceramics | Foshan Sunshine Ceramics Co., Ltd. Foshan Geometric Ceramics Co., Ltd. Guangdong Wusheng Ceramics Co., Ltd. |
| Guangdong New Jincheng Ceramics Group | Enping Xinjincheng Ceramics Co., Ltd. Enping Hejunchuangda Ceramics Co., Ltd. Zhaoqing Huansheng Ceramics Co., Ltd. Guangdong Xinghui Ceramics Group Co., Ltd. |
| Guangdong Shuncheng Ceramics Group | Foshan Gaoming Best Ceramics Co., Ltd. Foshan Gaoming Shuncheng Ceramics Co., Ltd. Hunan Zhaobang Ceramics Co., Ltd. |
| Xinzhongyuan Ceramics Group | Qingyuan Nanfang Building Materials Sanitary Ware Co., Ltd. Jiangxi Fuligao Ceramics Co., Ltd. Henan Ruixingbao Building Materials Co., Ltd. Hubei Baojiali Ceramics Co., Ltd. Hunan Henglifeng Ceramics Co., Ltd. Liaoning Jindiyang Ceramics Co., Ltd. |
| Sun Ceramics Group | Jiangxi Sun Ceramics Co., Ltd. Jiangxi Ruijing Ceramics Co., Ltd. Jiangxi Shenzhou Ceramics Co., Ltd. Jiangxi High-tech Sun Ceramics Co., Ltd. |

| Group Company | Production Plant (with kiln) |
|---------------------------------|--|
| D&O | Jiangxi Oceano Ceramics Co., Ltd. Foshan Oceano Ceramics Co., Ltd. (Sanshui) Guangxi Oceano Ceramics Co., Ltd. |
| Chunyi | Zhaoqing Chunyi Ceramics Co., Ltd. Guangxi Chunyi Ceramics Co., Ltd. |
| Guangdong Top100 Ceramics | Guangdong Baiqiang Ceramics Co., Ltd. |
| Henan Anyang Ririsheng Ceramics | Anyang Ririsheng Ceramics Co., Ltd. Anyang Ririshun Ceramics Co., Ltd. |
| Ruiyang Ceramics Group | Jiangxi Ruiyuan Ceramics Co., Ltd. Jiangxi Qinyuanchun Ceramics Co., Ltd. |
| Milano Ceramics (Sichuan) | Sichuan Milano Ceramics Co., Ltd. Jiajiang County Huaxing Ceramics Co., Ltd. Danling County Huaxin Ceramics Co., Ltd. Guizhou Huaxing Ceramics Co., Ltd. |
| White Rabbit Ceramics | Zhuhai Xuri Ceramics Co., Ltd. Hunan Xuri Ceramics Co., Ltd. Jiangmen Xuri Ceramics Co., Ltd. |
| Quansheng Ceramics | Enping Quansheng Ceramics Co., Ltd. Zhaoqing Weida Ceramics Co., Ltd. |

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