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## **China Ceramics Announces Financial Results for the First Half of 2017**

**Jinjiang, Fujian Province, China, October 2, 2017** – China Ceramics Co., Ltd. (NASDAQ Capital Market: CCCL) (“China Ceramics” or the “Company”), a leading Chinese manufacturer of ceramic tiles used for exterior siding and for interior flooring and design in residential and commercial buildings, today announced financial results for the six months ended June 30, 2017.

**First Half 2017 Summary**

- Revenue was RMB 336.5 million (US\$ 49.0 million) as compared to RMB 340.6 million (US\$ 51.9 million) for the first half of 2016
- Gross loss was RMB 7.4 million (US\$ 1.1 million) as compared to gross profit of RMB 50.2 million (US\$ 7.7 million) for the first half of 2016
- Net loss was RMB 5.8 million (US\$ 0.9 million) as compared to net profit of RMB 29.5 million (US\$ 4.5 million) for the first half of 2016.
- Loss per share on both a basic and fully diluted basis were RMB 2.07 (US\$ 0.30) as compared to basic and fully diluted earnings per share of RMB 10.96 (US\$ 1.63) and RMB 9.81 (US\$ 1.48), respectively, for the first half of 2016.

“For the first half of 2017, we experienced flat top line growth due to challenging market conditions which continued to impact the average selling price of our products,” said Mr. Jiadong Huang, CEO of China Ceramics. “However, our decision to continue the price reduction of our slow-moving inventory which we implemented in the fourth quarter of last year has resulted in a substantial 31% period-to-period increase in the sales volume of our ceramic tiles. We believe that our more aggressive pricing has helped to maintain our market share as well as a reasonable utilization of our production capacity given the current operating environment.”

“During the six months ended June 30, 2017, we utilized production facilities capable of producing 27 million square meters of ceramic tiles per year out of the Company’s effective total annual production capacity of 62 million square meters. In 2016, in order to generate cash flow, we entered into a contract to lease out an idle production line in our Hengdali facility that has the capacity to produce 10 million square meters of ceramic tiles. Consistent with our practices in past fiscal quarters, we maintained a reduced utilization of existing plant capacity based on the current market environment to keep our operating costs low. We intend to bring additional capacity online as the business environment improves.”

“For the second half of 2017, we anticipate a challenging building materials sector that will continue to be price sensitive and more cyclical than usual due to government pressure to ease demand and stem escalating home prices which could have the effect of slowing or curtailing new real estate projects. Further,

it is our estimation that real estate overdevelopment in some cities and unsold real estate inventory are yet to be worked through distribution channels. However, in the long-term, we believe that real estate will continue to be essential to China's economy as it impacts many vital industrial and financial sectors and is essential for domestic growth. We remain a leading PRC competitor with a well-established value proposition and are renewing our efforts to win new business and regenerate the company with new products and services. We also look to add business as smaller competitors continue to exit our sector due to government mandates to operate with cleaner fuels," concluded Mr. Huang.

### **Fiscal Six Months Results Ended June 30, 2017**

**Revenue** for the six months ended June 30, 2017 was RMB 336.5 million (US\$ 49.0 million), a decrease of 1.2% from RMB 340.6 million (US\$ 51.9 million) for the same period of 2016. The year-over-year decrease in revenue was primarily due to the 24.5% decrease in the average selling price of the Company's ceramic tile products to RMB 24.0 (US\$ 4.5) in the first half of 2017 as compared to RMB 31.8 (US\$ 4.8) for the same period of 2016, substantially offset by the 30.8% increase in sales volume to 14.0 million square meters of ceramic tiles in the first half of 2017 from 10.7 million square meters of ceramic tiles in the first half of 2016.

**Gross loss** for the six months ended June 30, 2017 was RMB 7.4 million (US\$ 1.1 million) as compared to RMB 50.2 million (US\$ 7.7 million) for the same period of 2016. The gross profit margin was a negative 2.2% for the six months ended June 30, 2017, as compared to a 14.7% profit margin for the same period of 2016. The year-over-year decline in gross profit margin was primarily due to the 24.5% decrease in the average selling price of the Company's ceramic tiles due to our having instituted a 20% reduction in the selling prices of slow moving inventory beginning on October 1, 2016 due to challenging market conditions.

**Other income** for the six months ended June 30, 2017 was RMB 7.1 million (US \$1.0 million) as compared to RMB 8.2 million (US \$1.3 million) for the same period of 2016. For the six months ended June 30, 2017, other income mainly consisted of RMB 7.1 million (US \$1.1 million) the Company received by leasing out one of the production lines from its Hengdali facility pursuant to an eight-year lease contract.

**Selling and distribution expenses** for the six months ended June 30, 2017 were RMB 5.8 million (US \$0.8 million) as compared to RMB 7.0 million (US \$1.1 million) for the same period of 2016. The year-over-year decrease in selling and distribution expenses was primarily due to an RMB 0.8 million decrease in advertisement expenses and an RMB 0.5 million decrease in traveling expenses, which was partially offset by an RMB 0.2 million increase in salary expenses.

**Administrative expenses** for the six months ended June 30, 2017 were RMB 9.0 million (US \$1.3 million) as compared to RMB 11.8 million (US \$1.8 million) for the same period of 2016. The year-over-year decrease in administrative expenses was primarily due to a decrease in depreciation expense resulting from the write-down of fixed assets as of December 31, 2016.

**Other expenses** for the six months ended June 30, 2017 was RMB 1.8 million (US \$0.3 million), as compared to RMB 4.4 million (US \$0.7 million) for the same period of 2016. The decrease in other expenses was primarily due to a decrease in depreciation expense on our investment properties of RMB 2.0 million for the current period resulting from the write-down of fixed assets as of December 31, 2016.

**Loss from operations before taxation** for the six months ended June 30, 2017 was RMB 17.1 million (US\$ 2.5 million) as compared to income from operations before taxation of RMB 34.5 million (US\$ 5.3 million) for the same period of 2016. The loss from operations before taxation was mainly due to the gross loss incurred for the six months ended June 30, 2017.

**Net loss** for the six months ended June 30, 2017 was RMB 5.8 million (US\$ 0.8 million) as compared to net profit of RMB 29.5 million (US\$ 4.5 million) for the same period of 2016. The net loss was mainly due to the gross loss incurred for the six months ended June 30, 2017.

**Loss per basic and fully diluted share** for the six months ended June 30, 2017 on both a basic and fully diluted basis were RMB 2.07 (US\$ 0.30) as compared to basic and fully diluted earnings per share of RMB 10.96 (US\$ 1.63) and RMB 9.81 (US\$ 1.48), respectively, for the first half of 2016. Basic and fully diluted per share calculations for the six months ended June 30, 2017 was computed using 2.8 million ordinary shares outstanding, and basic and fully diluted per share calculations for the same period of 2016 was computed using 2.7 million and 3.0 million ordinary shares outstanding, respectively (as adjusted for the one for eight reverse stock split in June 2016).

### **Statements of Selected Financial Position Items for the Six Months Ended June 30, 2017**

- Cash and bank balances were RMB 0.2 million (US\$ 0.03 million) as of June 30, 2017 as compared to RMB 0.1 million (US\$ 0.02 million) as of December 31, 2016.
- Short-term bank borrowings were nil as of June 30, 2017 and as of December 31, 2016.
- Inventory turnover was 107 days as of June 30, 2017 as compared to 115 days as of December 31, 2016. The decrease in inventory turnover days was primarily due to the 30.7% increase in our sales volume in the first half of 2017 to 14.0 million square meters of ceramic tiles as compared to 10.7 million square meters of ceramic tiles for the same period of 2016. The Company believes that the currently challenging economic environment has caused a lower inventory turnover than normal and the Company will make a continuous effort to deplete its slow-moving stocks.
- Trade receivables turnover, net of value added tax, was 300 days as of June 30, 2017 as compared to 245 days as of December 31, 2016. The increase in trade receivables turnover days was primarily due to the difficult economic environment which has prompted us to offer extended credit terms to certain customers resulting in a higher trade receivables turnover figure than normal.
- Trade payables turnover, net of value added tax, was 43 days as of June 30, 2017 as compared to 43 days as of December 31, 2016. The average turnover days was within the normal credit period of one to four months granted by our suppliers.

### **Liquidity and Capital Resources**

**Cash flow generated from operating activities** was RMB 1.6 million (US\$ 0.2 million) for the six months ended June 30, 2017, as compared to cash used in operating activities of RMB 7.6 million (US\$ 1.1 million) for the same period of 2016. The generation of cash from operations will continue to be a key component of the Company's ability to operate as a going concern and to return to profitability.

**Cash flow used in investing activities** was RMB 5.5 million (US\$ 0.08 million) for the six months ended June 30, 2017, which was mainly due to the purchase of fixed assets for RMB 5.6 million less the proceeds of RMB \$0.07 million from the disposal of two vehicles, compared to cash generated from investing activities of RMB 43.4 million (US\$ 6.5 million) for the same period of 2016, which was mainly due to the release of restricted cash.

**Cash flow generated from financing activities** was RMB 4.0 million (US\$ 0.6 million) for the six months ended June 30, 2017, which was due to the issuance of share capital, compared to cash flow used in

financing activities of RMB 31.4 million (US\$ 4.7 million) for the same period of 2016, which was primarily for the repayment of short-term loans.

### **Plant Capacity and Capital Expenditures Update**

For the six months ended June 30, 2017, we utilized plant capacity capable of producing 27 million square meters of ceramic tiles annually out of a total annual production capacity of 72 million square meters. However, our annual production capacity has been effectively reduced from 72 million square meters of ceramic tiles to 62 million square meters of ceramic tiles due to an eight-year contract to lease out one of the production lines from its Hengdali facility that we entered into in March 2016. The utilization of plant capacity for the first half of 2017 represents an increase in utilization from the same period of 2016 when we used plant capacity of producing 20 million square meters of ceramic tiles annually.

Our Hengda facility has an annual production capacity of 42 million square meters of ceramic tiles and we utilized annual capacity capable of producing 16 million square meters of ceramic tiles in the six months ended June 30, 2017. Our Hengdali facility has an annual production capacity of 30 million square meters (of which we are leasing 10 million square meters of production capacity to a third party) and we utilized annual capacity capable of producing 11 million square meters of ceramic tiles in the six months ended June 30, 2017. We will bring our unused production capacity online as customer demand dictates and when there are signs of improvement in China's real estate and construction sector.

In March 2016, the Company entered into an eight-year contract to lease out of the production lines from its Hengdali facility. The production line has the capacity to produce approximately 10 million square meters of ceramic tiles annually. The term of the contract is from March 1, 2016 to February 29, 2024, and the contract stipulates for the receipt of rental income of RMB 15.0 million (US\$ 0.5 million) per year, including 6% value added tax. The Company believes that it is prudent to generate income from its unused production capacity from a third party rather than to let it remain idle.

We review the level of capital expenditures throughout the year and make adjustments subject to market conditions. Although business conditions are subject to change, we anticipate a modest level of capital expenditures for the remainder of 2017 other than those associated with minimal upgrades, small repairs and the maintenance of equipment.

### **Business Outlook**

In the six months ended June 30, 2017, the average selling price of our ceramic tile products decreased 24.4% as compared to the same period of 2016. This was largely attributable to a 20% reduction in the prices of slow-moving inventory that we have maintained since instituting these price cuts in October 2016 to mitigate the effects of a slowdown in China's construction and real estate sectors. This price reduction has had a positive effect on our sales volume. For the six months ended June 30, 2017, the Company's sales volume was 14.0 million square meters of ceramic tiles, an increase of 30.7% as compared to sales volume of 10.7 million square meters of ceramic tiles for the same period of 2016. Although our average selling price has been relatively stable for the three years preceding the fourth quarter of 2016, our sales volume contracted significantly, falling 12.9% and 5.7% in fiscal years 2016 and 2015, respectively. We chose to discount our slow-moving inventory in the fourth quarter of 2016 as a means to increase our sales volume and to address the difficult real estate and construction conditions in China. We believe that our discounted product pricing of the last nine months will likely persist to counter a difficult business environment in our sector and that it will continue to positively affect our sales volume.

We expect the currently challenging market conditions to continue for the second half of 2017 as demand

could decline due to resale restrictions that have been announced in several cities in an effort by the Chinese government to curb speculative demand and escalating home prices. Further, mortgage lending appears to have tightened as many banks have increased their lending rates while some may have suspended housing approvals. Looking ahead, we estimate that the real estate overdevelopment in some cities may result in declining land supplies which, in turn, could result in a significant slowdown or a curtailing of property development, thus resulting in an eventual weakening of real estate and construction market activity.

We typically receive orders from customers two months in advance of production on a rolling basis. We enter into a dealership agreement with customers, and a sales or purchase contract each time a customer places an order. As of June 30, 2017, our backlog was approximately RMB 167.3 million (US\$ 24.7 million), which represents approximately the next two months of revenue. This compares to a backlog of approximately RMB 143.0 million (US\$ 21.5 million) as of June 30, 2016, a year-over-year increase of 17.0%. Ordinarily, our backlog serves as a reasonable indicator of revenues that might be expected to be realized in the next period, though it is subject to change as a result of unforeseen business conditions and events including credit payment terms.

In our view, China's urbanization trend will continue into the foreseeable future and favor a sustainable building materials sector. We have refocused our efforts towards those cities where we see real estate development and are aggressively pursuing new business. We believe that opportunities continue to exist across a range of lower and higher tier cities as underlying fundamentals such as demographics and a strong cultural preference for real estate ownership will continue to drive demand. In addition, government mandates to convert to cleaner and more expensive fuel sources will result in fewer competitors. We believe that our excellent brand recognition, operating efficiencies, inventory management and modern production facilities represent significant advantages as compared to our competitors. Further, our wide array of customizable high quality products continue to meet our customers' needs and we foresee substantial potential demand for our products due to the upgrading of existing stock to meet new housing standards.

## **Disclosure of Financial Information**

Going forward, the Company plans to release financial information for the 12 months ending December 31<sup>st</sup> and the six months ending June 30<sup>th</sup> of each year.

## **Events Occurring After the Six Months 2017 Period**

On July 17, 2017, the Company completed a US\$ 861,000 private placement of its ordinary shares pursuant to subscription agreements with certain accredited investors at the price of \$1.36 per share, the closing price of the Company's securities on July 17, 2017. The Company agreed to register the shares sold in the Offering for resale no later than 270 days after the closing of the Offering. All respective purchasers in the Offering were "accredited investors" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act), and the Company sold the securities in the Offering in reliance upon an exemption from registration contained in Section 4(2) and Rule 506 under the Securities Act. There were no discounts or brokerage fees associated with this offering. The net proceeds of the offering were designated for working capital and general corporate purposes.

## **Conference Call Information**

We will host a conference call at 8:00 am ET on Monday, October 2, 2017. Listeners may access the call

by dialing +1 (866) 395-5819 five to ten minutes prior to the scheduled conference call time. International callers should dial +1 (706) 643-6986. The conference participant pass code is 92740393. A replay of the conference call will be available for 14 days starting from 11:00 am ET on October 2, 2017. To access the replay, dial +1 (855) 859-2056. International callers should dial +1 (404) 537-3406. The pass code is 92740393 for the replay.

### **About China Ceramics Co., Ltd.**

China Ceramics Co., Ltd. is a leading manufacturer of ceramic tiles in China. The Company's ceramic tiles are used for exterior siding, interior flooring, and design in residential and commercial buildings. China Ceramics' products, sold under the "Hengda" or "HD", "Hengdeli" or "HDL", the "TOERTO" and "WULIQIAO" brands, and the "Pottery Capital of Tang Dynasty" brands, are available in over 2,000 style, color and size combinations and are distributed through a network of exclusive distributors as well as directly to large property developers. For more information, please visit <http://www.cceramics.com>.

### **Currency Convenience Translation**

The Company's financial information is stated in Renminbi ("RMB"). Translations of amounts from RMB into United States dollars ("US\$") in this earnings release are solely for the convenience of the readers and were calculated at the rate of US\$1.00 = RMB 6.7793. The exchange rate refers to the historical rate as set forth in the H.10 statistical release published by [www.federalreserve.gov](http://www.federalreserve.gov) on June 30, 2017. Such translations should not be construed as representations that RMB amounts could have been, or could be, converted realized or settled into US\$ at that rate on June 30, 2017 or any other rate.

### **Safe Harbor Statement**

*Certain of the statements made in this press release are "forward-looking statements" within the meaning and protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause the actual results, performance, capital, ownership or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements in this press release include, without limitation, the continued stable macroeconomic environment in the PRC, the PRC real estate and construction sectors continuing to exhibit sound long-term fundamentals, our ability to bring additional capacity online going forward as our business improves, our customers continuing to adjust to our product price increases, our ability to sustain our average selling price increases and to continue to build volume in the quarters ahead, and whether our enhanced marketing efforts will help to produce wider customer acceptance of the new price points. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "will," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "estimate," "continue," "plan," "point to," "project," "could," "intend," "target" and other similar words and expressions of the future.*

*All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary notice, including, without limitation, those risks and uncertainties described in our annual report on Form 20-F for the year ended December 31, 2016 and otherwise in our subsequently filed SEC*

reports and filings. Such reports are available upon request from the Company, or from the Securities and Exchange Commission, including through the SEC's Internet website at <http://www.sec.gov>. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date hereof, or after the respective dates on which any such statements otherwise are made.

CHINA CERAMICS CO., LTD AND ITS SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of June 30, 2017		As of December 31, 2016
	US'000	RMB'000	RMB'000
	(Unaudited)		
<b>ASSETS AND LIABILITIES</b>			
<b>NONCURRENT ASSETS</b>			
Property and equipment, net	18,889	127,962	130,542
Investment property, net	989	6,701	6,791
Land use rights, net	863	5,849	5,920
Goodwill	-	-	4,765
Deferred tax assets	703	4,765	1,494
Long-term prepaid expense	56	374	-
Total noncurrent assets	<u>21,500</u>	<u>145,651</u>	<u>149,512</u>
<b>CURRENT ASSETS</b>			
Inventories	28,821	195,242	212,742
Trade receivables	83,129	563,151	553,542
Other receivables and prepayments	1,824	12,356	8,854
Income tax refundable	2,198	14,894	6,521
Cash and bank balances	25	167	110
Total current assets	<u>115,997</u>	<u>785,810</u>	<u>781,769</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13,430	90,976	84,257
Accrued liabilities and other payables	4,970	33,672	37,640
Amounts owed to related parties	5,315	36,005	35,626
Income tax payable	-	-	1,309
Total current liabilities	<u>23,715</u>	<u>160,653</u>	<u>158,832</u>
NET CURRENT ASSETS	<u>92,282</u>	<u>625,157</u>	<u>622,937</u>
NET ASSETS	<u>113,782</u>	<u>770,808</u>	<u>772,449</u>
<b>EQUITY</b>			
Share capital	25	171	151
Reserves	113,757	770,637	772,298
Total stockholders' equity	<u>113,782</u>	<u>770,808</u>	<u>772,449</u>

CHINA CERAMICS CO., LTD AND ITS SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)

	Six months ended June 30,		
	US'000	2017 RMB'000	2016 RMB'000
Net sales	48,976	336,450	340,629
Cost of goods sold	<u>50,055</u>	<u>343,859</u>	<u>290,395</u>

Gross profit (loss)	(1,079)	(7,409)	50,234
Other income	1,038	7,130	8,202
Selling and distribution expenses	(849)	(5,835)	(7,017)
Administrative expenses	(1,313)	(9,017)	(11,767)
Finance costs	(32)	(217)	(735)
Other expenses	(255)	(1,757)	(4,438)
Income (loss) before taxation	(2,490)	(17,105)	34,479
Income tax (expense) credit	1,641	11,276	(4,984)
Income (loss) attributable to shareholders	(849)	(5,829)	29,495
Other comprehensive income			
Exchange differences on translation of financial statements of foreign operations	2	13	(1,552)
Total comprehensive income (loss) for the period	(847)	(5,816)	27,943
Loss per share			
Basic (RMB)	(0.30)	(2.07)	10.96
Diluted(RMB)	(0.30)	(2.07)	9.81

CHINA CERAMICS CO., LTD AND ITS SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six months ended June 30,		
	US'000	2017 RMB'000	2016 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit (loss) before taxation	(2,490)	(17,105)	34,479
Adjustments for			
Amortization of land use rights	10	71	187
Depreciation of property, plant and equipment	1,193	8,198	22,390
Gain on disposal of property, plant and equipment	(6)	(43)	-
Write down of inventories	-	-	(1,204)
Finance costs	32	219	786
Foreign exchange loss	-	-	(1,754)
Operating cash flows before working capital changes	(1,261)	(8,660)	54,884
Decrease (Increase) in inventories	2,547	17,500	36,238
Decrease (Increase) in trade receivables	(1,399)	(9,609)	(116,857)
Increase (Decrease) in other receivables and prepayments	(115)	(787)	4,315
Increase in trade payable	979	6,718	19,925
Increase in accrued liabilities, other payable and amounts owned to related parties	(522)	(3,590)	1,004
Cash generated from (used in) operations	229	1,572	(491)
Interest paid	-	-	(786)
Income tax paid	-	-	(6,354)
Net cash generated from (used in) operating activities	229	1,572	(7,631)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of fixed assets	(809)	(5,556)	-
Proceed from disposal of property, plant and equipment	10	70	-



Decrease (Increase) in restricted cash	-	-	41,672
Interest received	-	-	1,754
Net cash generated from (used in) investing activities	(799)	(5,486)	43,426
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Insurance of share capital	576	3,956	8,643
Repayment of short-term loans	-	-	(40,076)
Net cash generated from (used in) financing activities	576	3,956	(31,433)
NET INCREASE IN CASH & EQUIVALENTS	6	42	4,362
CASH & EQUIVALENTS, BEGINNING OF PERIOD	16	110	514
EFFECT OF FOREIGN EXCHANGE RATE DIFFERENCES	2	15	(1,552)
CASH & EQUIVALENTS, END OF PERIOD	24	167	3,324

CHINA CERAMICS CO., LTD. AND ITS SUBSIDIARIES				
SALES VOLUME AND AVERAGE SELLING PRICE (UNAUDITED)				
		Six months ended June 30,		
		2017		2016
Sales volume (square meters)		13,997,796		10,712,944
Average Selling Price (in RMB / square meter)		24.04		31.80

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