

China Ceramics' Second Quarter and Fiscal Year 2010

Earnings Conference Call Participants:

JiaDong Huang, Edmund Hen, Ed Job

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Introduction and Safe Harbor: Ed Job, CCG Investor Relations

Good morning and good evening and welcome to China Ceramics' second quarter and fiscal year 2010 earnings conference call.

With us today are China Ceramics' Chief Executive Officer, Mr. JiaDong Huang, and Chief Financial Officer, Mr. Edmund Hen.

Before I turn the call over to Mr.Huang, may I remind our listeners that in this call, management's prepared remarks contain forward-looking statements, which are subject to risks and uncertainties, and management may make additional forward-looking statements in response to your questions.

Therefore, the Company claims the protection of the safe harbor for forward-looking statements that is contained in the

Private Securities Litigation Reform Act of 1995. Actual results may differ from those discussed today, and therefore we refer you to a more detailed discussion of the risks and uncertainties in the Company's filings with the Securities & Exchange Commission.

In addition, any projections as to the Company's future performance represent management's estimates as of today August 16, 2010. Unless otherwise required by law, China Ceramics assumes no obligation to update these projections in the future as market conditions change.

The company has determined not to have a Q&A session at the end of this call, in light of its ongoing tender offer.

And now it's my pleasure to turn the call over to China Ceramics' CEO, Mr. JiaDong Huang, and CFO Mr. Edmund Hen, who will be translating for Mr. Huang.

Opening Remarks: Mr. Huang, CEO of China Ceramics

谢谢 Ed（艾德）。

欢迎各位参加我们 2010 年二季度电话会议。

Thank you, Ed.

Welcome to everyone joining our second quarter 2010 earnings conference call.

我们对这个季度的企业经营感到满意，各方面的发展均按计划中的节奏逐步地得以实现。

We are pleased with our execution in the quarter, as we made good progress in the execution of our business plan:

二季度的财务亮点包括：

收入同比增长 29.5%，达 2.723 亿人民币

毛利同比增长 40.6%，达 6930 万人民币

毛利率增长至 31.2%

净利润同比增长 31.2%，达 5650 万美元

充分稀释后每股收益达 5.55 元人民币，合 81 美分

The financial highlights for the second quarter include:

- Revenue grew 29.5% year-over-year to RMB 272.3 million

- Gross profit grew 40.6% year-over-year to RMB 69.3 million
- Gross profit margin expanded to 31.2%
- Net profit grew 31.2% year-over-year to RMB 56.5 million
- Earnings per share were RMB 5.55 or US\$ 81 cents per fully diluted share

在这个季度中，受益于中国经济大环境的积极影响，我们产品的需求旺盛，于是我们部分外包了一些业务以满足我们的客户。展望未来，我们依然坚信公司的发展前景很乐观，同时我们也为进一步发展继续在做一些必要的投资工作。我们期望在以后能向大家持续汇报我们的进步和业绩。谢谢。

During the quarter we benefited from strong demand for our products, as the Chinese macroeconomic environment remained positive. As a result we made use of outsourced manufacturing services to service our customer base in the quarter. As we look to the future, we continue to believe that the outlook for our business remains positive, and we are making the investments necessary to continue our growth momentum. We look forward to report on our progress in the quarters and years ahead.

Now that I have completed translating Mr. Huang's comments, I would like to spend a few minutes discussing China Ceramics' business performance in more detail.

[Overview of Q2 results: Edmund Hen, Chief Financial Officer]

Our net revenue for the second quarter was up 29.5% to RMB 272.3 million (US\$ 39.8 million) compared to the second quarter 2009. The year-over-year increase in revenue was primarily driven by a 22.3% increase in volume to 10.6 million square meters in the second quarter of 2010 compared with the same period in 2009, as well as a 5.9% increase in average selling prices as a result of price increases in the second half of 2009.

Our gross profit was RMB 84.8 million (US\$ 12.4 million), up 40.6% from the second quarter 2009. Gross margin was 31.2% compared to 28.7% in the same period last year. The year-over-year increase in gross profit was mostly driven by strong growth in sales volume, higher average selling prices and lower raw material costs.

Selling expenses were RMB 1.5 million (US\$ 0.2 million), or 0.6% of sales, compared to RMB 1.7 million, or 0.8% of sales, in the second quarter of 2009.

Administrative expenses were RMB 6.0 million (US\$ 0.9 million), up 164.8% from RMB 2.3 million in the second quarter of 2009. The year-over-year increase in administrative expenses resulted mainly from expenses incurred at our newly acquired Gaoan facility as well as from legal and other expenses related to China Ceramics' status as a public company.

Profit from operations for the second quarter 2010 was RMB 77.6 million (US\$ 11.4 million), up 25.1% from RMB 62.0 million in the first quarter of 2010. The year-over-year increase in profit from operations was the result of higher revenue and improved gross margin, only partially offset by higher operating costs.

Our net profit for the second quarter 2010 was RMB 56.5 million (US\$ 8.3 million), up 31.2% from the comparable period in 2009. The year-over-year increase in net profit was mainly driven by strong growth in revenue and improved gross margin resulting from higher efficiency of the new plant as well as lower raw material costs.

Earnings per fully diluted share were RMB 5.55 (US\$ 0.81) for the second quarter of 2010, up 24.7% from RMB 4.45 (US\$ 0.65) in the first quarter of 2010, and down 25.9% from RMB 7.5 (US\$ 1.10) in the same period in 2009.

Now let's look at results for the first six months of 2010 compared to the same period last year. Our revenue increased by 31.9% to RMB 501.4 million or US\$ 73.4 million. Gross profit was up 44.9% to RMB 154.1 million or US\$ 22.5 million. Gross margin expanded to 30.7% compared to 28.0% in the first six months of 2009. Our net profit grew 37.1% to RMB 101.7 million or US\$ 14.9 million. Earnings were RMB 10.01 or US\$ 1.46 per fully diluted share.

Turning to our balance sheet, we had cash of RMB 68.0 million or US\$10.0 million as of June 30, 2010, compared with RMB 131.9 million or US \$ 19.3 million at the end of the first quarter 2010 and RMB 150.1 million or US \$ 22.0 million at the end of 2009.

As of the balance sheet date we had inventory turnover of 70 days compared with 73 days last quarter and 77 days at the end of 2009.

Our trade receivables turnover was 109 days in Q2 compared with 109 days in Q1 and 102 days in the December quarter. Our trade receivables include a 17% value-added-tax but our reported revenue is net of VAT. Trade receivables turnover excluding VAT amounts was 93 days in Q2 compared with 93 Q1 and 87 days in the December quarter.

Trade payables turnover was 77 days in Q2 compared with 79 days in Q1 and 69 days in the December quarter. The decrease in payables turnover compared to the first quarter resulted from production outsourcing arrangements with our OEM partner in the second quarter of 2010 which are subject to a shorter payment cycle than other suppliers.

Bank borrowings increased to RMB 104.7 million or US\$ 15.4 million in Q2 compared to RMB 90 million or US\$13.2 million in Q1 and RMB 26.5 million or US\$ 3.90 million in the December quarter.

The reduction in cash balances and the increase in bank borrowings during the second quarter resulted from the increase in capital expenditures to finish Phase I and initiate phase II of the Gaoan facility expansion as well as to install new kilns and production lines to replace older manufacturing equipments at the Jinjiang plant.

Total capital expenditure incurred in the quarter was approximately RMB 106.3 million or US\$ 15.6 million of which RMB 32.8 million or US\$ 4.8 million was spent at the Jinjiang facility.

Total capital expenditures for the Jinjiang facility in 2010 are expected to be approximately RMB 117.0 million, or US\$17.2 million. The enhancement of production lines is expected to increase capacity at the Jinjiang facility to 32.2 million square meters by the end of 2010, up from 28 million square meters.

In the six months ended June 30, 2010 we spent RMB 30 million or US\$ 4.4 million on phase I and RMB 44 million or 6.4 million to initiate phase II of the Gaoan plant expansion. Total expected expenditure on Phase II construction is approximately RMB 136.4 million or US\$ 20 million and will increase capacity at the Gaoan facility to 24 million square meters by the end of 2010. In summary, we expect to have total capacity of approximately 56.2 million square meters by the end of 2010 and total capital expenditure of approximately US\$ 41.6 million in 2010 of which US\$ 15.6 million was spent in the first half of 2010, all of it during the second quarter.

Moving on to outlook:

Our backlog of orders for delivery in the third quarter was at approximately RMB 312.13 million (US\$ 45.8 million), representing a year-over-year growth rate of 25.4% compared to the revenue in the third quarter of 2009. The expected sales volume in the third quarter 2010 is approximately 11.5 million square meters representing a 23.2% increase from 9.4 million square meters sold in the third quarter of 2009.

Let me now turn to our recent developments

On July 27, 2010 we initiated an exchange offer pursuant to which holders of all 14,553,949 of our outstanding warrants have the opportunity to acquire our shares through a warrant for share exchange. We will issue one share for every four warrants tendered. The Offer was set to expire on Tuesday, August 24, 2010, but the expiration has been extended to August 30, 2010 at 5:00 p.m., Eastern Time to insure that the Company is able to mail its first half 2010 unaudited financial results to warrant holders for their consideration in connection with the exchange offer. The terms and conditions of the Offer are set forth in the documentation distributed to record holders of the Warrants and units. Among certain other conditions set forth in the documentation, the Offer is subject to the tender of at least 40% of the Warrants. In connection with the Offer, warrant holders representing an aggregate of approximately 49.5% of the outstanding warrants have agreed to tender their shares in the Offer.

On behalf of the entire China Ceramics management team, we want to thank you for your interest and participation on this call. Operator,?