

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

(Mark one)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from _____ to _____

Commission file number 001-34944

China Ceramics Co., Ltd.
(Exact name of the Registrant as specified in its charter)

British Virgin Islands
(Jurisdiction of incorporation or organization)

c/o Jinjiang Hengda Ceramics Co., Ltd.
Junbing Industrial Zone
Anhai, Jinjiang City
Fujian Province, PRC
Telephone: +86 (595) 8576 5053
(Address of principal executive offices)

Huang Jia Dong
c/o Jinjiang Hengda Ceramics Co., Ltd.
Junbing Industrial Zone
Anhai, Jinjiang City
Fujian Province, PRC
Telephone: +86 (595) 8576 5053
Facsimile: +86 (595) 8576 5059

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

with a copy to:

Stuart Management Company
830 Post Road East
Suite 205
Westport, CT 06880

Securities registered or to be registered pursuant to Section 12(b) of the Act:

SHARES, PAR VALUE \$0.001

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None.

On December 31, 2012, the issuer had 20,430,838 shares outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

TABLE OF CONTENTS

	Page
PART I	2
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	2
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	2
ITEM 3. KEY INFORMATION	2
A. Selected financial data	2
B. Capitalization and Indebtedness	4
C. Reasons for the Offer and Use of Proceeds	4
D. Risk factors	4
ITEM 4. INFORMATION ON THE COMPANY	21
A. History and Development of the Company	21
B. Business Overview	23
C. Organizational Structure	42
D. Property, plant and equipment	44
ITEM 4A. UNRESOLVED STAFF COMMENTS	45
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	45
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	73
A. Directors and senior management	73
B. Compensation	76
C. Board Practices	83
D. Employees	85
E. Share Ownership	85
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	86
A. Major shareholders	86
B. Related Party Transactions	87
C. Interests of Experts and Counsel	88
ITEM 8. FINANCIAL INFORMATION	88
A. Consolidated Statements and Other Financial Information	88
B. Significant Changes	88
ITEM 9. THE OFFER AND LISTING	88
A. Offer and Listing Details	88
B. Plan of Distribution	89
C. Markets	89
D. Selling Shareholders	89
E. Dilution	89
F. Expenses of the Issue	89
ITEM 10. ADDITIONAL INFORMATION	90
A. Share Capital	90
B. Memorandum and Articles of Association	90
C. Material Contracts	90
D. Exchange controls	90
E. Taxation	90
F. Dividends and paying agents	103
G. Statement by experts	103
H. Documents on display	103
I. Subsidiary Information	103
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK	104

TABLE OF CONTENTS CONTINUED

		<u>Page</u>
ITEM 12.	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	104
PART II		104
ITEM 13.	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	104
ITEM 14.	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	105
ITEM 15.	CONTROLS AND PROCEDURES	105
ITEM 16.	RESERVED	107
ITEM 16A.	AUDIT COMMITTEE FINANCIAL EXPERT	107
ITEM 16B.	CODE OF ETHICS	107
ITEM 16C.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	107
ITEM 16D.	EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	108
ITEM 16E.	PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	108
ITEM 16F.	CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT	108
ITEM 16G.	CORPORATE GOVERNANCE	108
PART III		108
ITEM 17.	FINANCIAL STATEMENTS	108
ITEM 18.	FINANCIAL STATEMENTS	109
ITEM 19.	EXHIBITS	109

CERTAIN INFORMATION

In this Annual Report on Form 20-F (the “Annual Report”), unless otherwise indicated, “we,” “us,” “our,” and “China Ceramics” refers to China Ceramics Co., Ltd., a British Virgin Islands company, and its subsidiaries, including Success Winner Limited (“Success Winner”), a British Virgin Islands company and wholly owned subsidiary of China Ceramics, Stand Best Creation Limited (“Stand Best”), a Hong Kong company and wholly owned subsidiary of Success Winner and the entity that wholly owns Jinjiang Hengda Ceramics Co., Ltd. (“Hengda”), a PRC operating company that in turn wholly owns Jiangxi Hengdali Ceramic Materials Co., Ltd. (“Hengdali”), another PRC operating company.

On November 20, 2009, China Holdings Acquisition Corp. (“CHAC”), our predecessor, merged with and into China Ceramics, its wholly owned British Virgin Islands subsidiary, resulting in the redomestication of CHAC to the British Virgin Islands as “China Ceramics Co., Ltd.” Immediately following the merger and redomestication (the “Redomestication”), and as part of the same integrated transaction, China Ceramics acquired all of the outstanding securities of Success Winner (the “Business Combination”). Unless the context indicates otherwise, the “Company” refers to CHAC prior to the Business Combination and China Ceramics following the Business Combination.

Unless the context indicates otherwise, all references to “China” or “PRC” refer to the People’s Republic of China. All references to “provincial-level regions” or “regions” include provinces as well as autonomous regions and directly controlled municipalities in China, which have an administrative status equal to provinces, including Beijing.

All references to “Renminbi,” “RMB” or “yuan” are to the legal currency of the People’s Republic of China, and all references to “U.S. dollars,” “dollars,” “\$” are to the legal currency of the United States. This Report contains translations of Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. We make no representation that the Renminbi or U.S. dollar amounts referred to in this Report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. On April 19, 2013, the buying rate announced by the Federal Reserve Statistical Release was RMB 6.1772 to \$1.00.

FORWARD-LOOKING STATEMENTS

This Report contains “forward-looking statements” that represent our beliefs, projections and predictions about future events. All statements other than statements of historical fact are “forward-looking statements” including any projections of earnings, revenue or other financial items, any statements of the plans, strategies and objectives of management for future operations, any statements concerning proposed new projects or other developments, any statements regarding future economic conditions or performance, any statements of management’s beliefs, goals, strategies, intentions and objectives, and any statements of assumptions underlying any of the foregoing. Words such as “may,” “will,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar expressions, as well as statements in the future tense, identify forward-looking statements.

These statements are necessarily subjective and involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements described in or implied by such statements. Actual results may differ materially from expected results described in our forward-looking statements, including with respect to correct measurement and identification of factors affecting our business or the extent of their likely impact, the accuracy and completeness of the publicly available information with respect to the factors upon which our business strategy is based or the success of our business.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of whether, or the times by which, our performance or results may be achieved. Forward-looking statements are based on information available at the time those statements are made and management's belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, those factors discussed under the headings "Risk Factors", "Operating and Financial Review and Prospects," "Information on the Company" and elsewhere in this Annual Report.

This Annual Report should be read in conjunction with our audited financial statements and the accompanying notes thereto, which are included in Item 18 of this Annual Report.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected financial data

The following selected consolidated financial data as of and for the years ended December 31, 2012, 2011, 2010 have been derived from the audited consolidated financial statements of China Ceramics included in this Annual Report and the financial data as of and for the years ended December 31, 2009 and 2008 have been derived from previously filed audited consolidated financial statements. This information is only a summary and should be read together with the consolidated financial statements, the related notes, the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations of China Ceramics" and other financial information included in this Annual Report.

The consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board ("IASB"). The results of operations of China Ceramics in any period may not necessarily be indicative of the results that may be expected for any future period. See "Risk Factors" included elsewhere in this Annual Report.

CHINA CERAMICS CO., LTD. AND SUBSIDIARIES

Selected Consolidated Financial Data

(RMB in Thousands Except per Share and Operating Data)

As of December 31

	2012	2011	2010	2009	2008
Consolidated Statements of Financial Position Data					
Cash and cash equivalents	89,448	42,149	263,495	150,121	51,606
Total current assets	840,028	833,516	732,595	684,887	382,380
Total assets	1,671,403	1,711,947	1,227,427	749,236	454,720
Total current liabilities	177,161	457,121	319,066	244,139	201,269
Long-term obligations	51,052	61,087	26,122	-	-
Total liabilities	228,213	518,208	345,188	244,139	201,269
Total equity	1,443,190	1,193,739	882,239	505,097	253,451
Outstanding shares	20,430,838	18,254,002	16,459,202	8,950,165	-

For the years ended December 31,

	2012	2011	2010	2009	2008
Consolidated Statement of Comprehensive Income Data					
Revenues	1,444,891	1,491,574	1,068,551	835,747	737,182
Gross profit	380,999	467,238	338,975	253,217	203,852
Operating income	330,328	398,260	300,105	208,413	186,359
Profit before taxation	328,763	400,504	304,071	212,148	189,060
Profit attributable to shareholders	243,831	294,439	225,474	152,861	165,033
Earnings per share –					
Basic	11.93	14.41	16.96	24.47	28.73
Diluted	11.93	14.41	16.96	23.65	28.73
Weighted average shares outstanding –					
Basic	20,430,838	20,430,838	13,292,189	6,246,820	5,743,320
Diluted	20,430,838	20,430,838	13,292,189	6,462,424	5,743,320

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. On April 19, 2013, the buying rate announced by Federal Reserve Statistical Release was RMB 6.1772 to \$1.00.

Period	Spot Exchange Rate			
	Period Ended	Average (1)	Low	High
	(RMB per US\$1.00)			
2008	6.8225	6.9477	7.2946	6.7800
2009	6.8259	6.8295	6.8180	6.8395
2010	6.6000	6.7603	6.6000	6.8305
2011	6.2939	6.4475	6.2939	6.6017
2012	6.2301	6.3093	6.2221	6.3879
September	6.2848	6.3200	6.2848	6.3465
October	6.2372	6.2627	6.2372	6.2877
November	6.2265	6.2338	6.2221	6.2454
December	6.2301	6.2328	6.2251	6.2358
2012	6.2226	6.2976	6.2221	6.3879
January	6.2186	6.2215	6.2186	6.2303
February	6.2213	6.2323	6.2226	6.2438
March	6.2108	6.2154	6.2105	6.2246

Source: Federal Reserve Statistical Release

- (1) Annual averages, lows, and highs are calculated from month-end rates. Monthly averages, lows, and highs are calculated using the average of the daily rates during the relevant period.

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk factors

You should carefully consider the following risk factors, together with all of the other information included in this annual report.

Risk Factors Relating to Our Business

We generate a large percentage of our revenues from a limited number of customers and our business will suffer if sales to such customers decline.

Our five largest customers accounted for an aggregate of 13.8%, 13.2%, and 18.4% of our total revenue in fiscal years 2010, 2011 and 2012, respectively. We are particularly exposed to the credit risks of these customers as defaults in payment by our major customers would have a significant impact on our cash flows and financial results. Our agreements with our major customers do not specify minimum sales volume. There is no assurance that we will continue to retain these customers or that they will continue to purchase our products at their current levels in the future. If there is any reduction or cancellation of purchase orders by these customers for any reason, including a fall in demand from our customers' downstream developer clients, or a termination of relationship with these customers, our revenues will be negatively impacted.

Payment defaults by the customers to whom we extend credit would harm our cash flows and results.

Our financial position and profitability is dependent on the creditworthiness of our customers. We are exposed to the credit risks of our customers and this risk increases the larger the orders are. We usually offer our customers credit terms of approximately 90 to 150 days. Although there has not been any material collection problem for trade receivables or bad debts in the last three fiscal years, there is no assurance that we will not encounter doubtful or bad debts in the future. We have not established any bad debt reserves to mitigate the financial impact of uncollected accounts receivable. Should we experience any unexpected delay or difficulty in collecting receivables from our customers, our cash flows and financial results may be adversely affected.

If our suppliers are unable to fulfill our orders for raw materials, we may lose business.

Our suppliers are all located in the PRC. Our purchases of raw materials is based on expected production levels, after taking into consideration, amongst other factors, sales forecasts and actual orders from our customers. To ensure that we are able to deliver quality products at competitive prices, we need to secure sufficient quantities of raw materials at acceptable prices and quality on a timely basis. Typically, we do not enter into any long-term supply agreements with our suppliers. There is no assurance that these suppliers will continue to supply us in the future. In the event our suppliers are unable to fulfill our orders or meet our requirements, we may not be able to find timely replacements at acceptable prices and quality, and this will delay the fulfillment of our customers' orders. Consequently, our reputation may be negatively affected, leading to a loss of business and affecting our ability to attract new businesses.

Increases in the price of raw materials will negatively impact our profitability.

In fiscal years 2010, 2011, and 2012 our cost of raw materials, which consist of clay (comprising mainly of kaolin, flint and feldspar), coal (used to heat our kilns), coloring materials and glazing materials, accounted for approximately 67.4%, 71.5% and 70.9% of our total cost of sales, respectively. The price of clay, coal, coloring materials and glazing materials may fluctuate due to factors such as global supply and demand for such raw materials and changes in global economic conditions. Coal accounted for approximately 30.0%, 29.2% and 27.9% of our total raw material costs in fiscal years 2010, 2011 and 2012 respectively. Any shortages or interruptions in the supply of clay, coal, coloring materials or glazing materials will result in an increase in the cost of production, thus increasing our cost of sales. If we are not able to pass on such an increase to our customers or are unable to find alternative sources of clay, coal, coloring materials, or glazing materials or appropriate substitute raw materials at comparable prices, our operations and financial performance will be adversely affected.

We had a material weakness in our internal control in financial reporting for the year ended December 31, 2012, which could result in our financial statements not being prepared properly.

Our management identified a material weakness and concluded that our internal controls over financial reporting were not effective as of December 31, 2012. A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The Company's management determined that the Company's oversight of complex transactions is not effective. Specifically, the analysis by management of certain transactions and the supporting documentation generated were not sufficiently detailed to fulfill the requirements of IFRS as issued by the IASB. From time to time the Company will encounter non-routine accounting transactions that require a high level of technical accounting expertise. Non-routine accounting transactions will likely increase in frequency as the Company continues to grow and expand its operations.

A material weakness makes it a reasonable possibility that a material misstatement of our company's annual or interim financial statements will not be prevented or detected on a timely basis. In the event that the material weakness described above led to our financial statements not being prepared properly (which we currently do not believe to be the case), we would be required to restate our financial statements, which could result in a decline in our stock price.

We are dependent on our management team and any loss of our key management personnel without timely and suitable replacements may reduce our revenues and profits.

Our chief executive officer, Huang Jia Dong, and our Sales Deputy General Manager, Su Pei Zhi, have worked with our company since founding it over eighteen years ago. Accordingly, our success is dependent to a large extent on our ability to retain Messrs. Huang and Su, who are responsible for formulating and implementing our growth, corporate development and overall business strategies. Mr. Huang currently beneficially owns 8,345,308 shares in us. Mr. Su currently does not own any shares or any other equity investment in us. Our business is also dependent on our executive officers who are responsible for implementing our business plans and driving growth. Please refer to “Directors, Senior Management and Employees” herein for more information about our directors and officers.

The demand for such experienced personnel is intense and the search for personnel with the relevant skills set can be time consuming. The loss of our key management personnel without timely and suitable replacements may reduce our revenues and profits.

Failure to compete successfully with our competitors and new entrants to the ceramics industry in the PRC may result in China Ceramics losing market share.

We operate in a competitive and fragmented industry. Given the growth potential of our industry, there is no assurance that we will not face competition from our existing competitors and new entrants. We compete with a variety of companies, some of which have advantages that include: longer operating history, larger clientele base, superior products, better access to capital, personnel and technology, or are better entrenched. Our competitors may be able to respond more quickly to new and emerging technologies and changes in customer requirements or succeed in developing products that are more effective or less costly than our products. Any increase in competition could have a negative impact on our pricing (thus eroding our profit margins) and reduce our market share. If we are unable to compete effectively with our existing and future competitors and do not adapt quickly to changing market conditions, we may lose market share.

We have not purchased product liability insurance and any loss resulting from product liability claims must be paid by us.

Accidents may arise as a result of defects in our products. If there are any defects in the products designed and/or manufactured by us, we may face claims from our customers or third parties for the personal injury or property damage suffered as a result of such defects. We have not purchased insurance coverage for product liability or third party liability and are therefore not covered or compensated by insurance in respect of losses, damages, claims and liabilities arising from or in connection with product liability or third party liability.

Our production facilities may be affected by power shortages which could result in a loss of business.

Our production facilities consume substantial amounts of electrical power, which is the principal source of energy for our manufacturing operations. Although we have a back-up generator at both our production facilities, we may experience occasional temporary power shortages disrupting production due to power rationing activities conducted by the authorities, thunderstorms or other natural events beyond our control. Accordingly, these production disruptions could result in a loss of business.

Our research and development efforts may not result in marketable products.

Our research and development team develops products which we have identified as having good potential in the market. There is no assurance that we will not experience delays in future product developments. There is also no assurance that the products which we are currently developing or may develop in the future will be successful or that we will be able to market these new products to our customers successfully. If our new products are unable to gain the acceptance of our customers or potential customers, we will not be able to generate future sales from our investment in research and development.

We may not be able to ensure the successful implementation of our future plans and strategies, resulting in reduced financial performance.

We intend to expand our market presence and explore opportunities in strategic investments or alliances and acquisitions. These initiatives involve various risks including, but not limited to, the investment costs in setting up new offices and sales offices and working capital requirements. There is no assurance that any future plan can be successfully implemented as the successful execution could depend on several factors, some of which are not within our control. Failure to successfully implement our future plans or to effectively manage costs may lead to a material adverse change in our operating environment or affect our ability to respond to market or industry changes, resulting in reduced financial performance.

Due to reduced demand for our products, we are currently operating our facilities at significantly less than our maximum capacity, which could reduce our profitability.

Our facilities currently provide an aggregate annual maximum production capacity of approximately 72 million square meters. However, due to a reduction in demand, we are currently utilizing production facilities capable of producing only 46 million square meters. In addition, we currently have fourteen production lines of which only twelve were utilized in 2012. The fact that a significant portion of our facilities are not being used means that our net income will be significantly less than it would otherwise be because we must maintain those unused facilities even though they are not currently being productive. In addition, if our facilities remain idle for an extended period of time, we may be required to take an impairment charge on our financial statements.

We have recently significantly discounted our products in order to maintain market share, which will reduce our revenues and net income.

In order to maintain our market share, we significantly reduced the selling price of certain of our products at the end of 2012 and the beginning of 2013. Although we anticipate that such reductions were short-term, our revenues and net income for those periods were lower than they would otherwise be due to such reductions. In addition, if clients grow accustomed to such significant reductions, we may need to offer significant discounts in the future, which could reduce our net income and revenues long term.

We may lose revenue if our intellectual property rights are not protected and counterfeit HD, Hengda, HDL, Hengdeli, WULIQIAO, TOERTO or Pottery Capital of Tang Dynasty brand products are sold in the market.

We believe our intellectual property rights are important to our success and competitive position. A portion of our products are manufactured and marketed under our “HD” or “Hengda,” “HDL” or “Hengdeli,” “Pottery Capital of Tang Dynasty,” “TOERTO” and “WULIQIAO” labels. We have filed our labels as trademarks in the PRC. Before 13 April, 2011, WULIQIAO was a trademark owned by Fujian Province Jinjiang City Hengda Construction Materials Co., Ltd. Hengda signed a Trademark Licensing Contract with Fujian Province Jinjiang City Hengda Construction Materials Co., Ltd. and has been licensed the exclusive right to use WULIQIAO during the terms of that trademark. Since 13 April, 2011, WULIQIAO has been transferred to Hengdali, according to Certificate of Approved Transference of Trademark issued on 13 April 2011 by Trademark Office of the State Administration for Industry & Commerce of the P.R. China. In addition, we own eight utility model patents and have certain trade secrets and unpatented proprietary technology. We cannot assure you that there will not be any unauthorized usage or misuse of our trademarks and patent rights or that our intellectual property rights will be adequately protected as it may be difficult and costly to monitor any infringements of our intellectual property rights in the PRC. If we cannot adequately protect our intellectual property, we may lose revenue.

In addition, we believe the branding of our products and the brand equity in our “HD” or “Hengda,” “HDL or Hengdeli,” “Pottery Capital of Tang Dynasty”, “TOERTO” and “WULIQIAO” trademarks is critical to our expansion effort and the continued success of our business. Our efforts to build our brand may be undermined by the sale of counterfeit goods. The counterfeiting of our products may increase if our products become more popular.

In order to preserve and enforce our intellectual property rights, we may have to resort to litigation against the infringing or counterfeiting parties. Such litigation could result in substantial costs and diversion of management resources which may have an effect on our financial performance.

We may inadvertently infringe third-party intellectual property rights, which could negatively impact our business and financial results.

We are not aware of, nor have we received any claims from third parties for, any violations or infringements of intellectual property rights of third parties by us as of the date of this Annual Report. Nevertheless, there can be no assurance that as we develop new product designs and production methods, we would not inadvertently infringe the intellectual property rights of others or others would not assert infringement claims against us or claim that we have infringed their intellectual property rights. Claims against us, even if untrue or baseless, could result in significant costs, legal or otherwise, cause product shipment delays, require us to develop non-infringing products, enter into licensing agreements or may be a distraction to our management. Licensing agreements, if required, may not be available on terms acceptable to us or at all. In the event of a successful claim of intellectual property rights infringement against us and our failure or inability to develop non-infringing products or to license the infringed intellectual property rights in a timely or cost-effective basis, our business and/or financial results will be negatively impacted.

The PRC government has recently introduced certain policy and regulatory measures to control the rapid increase in housing prices and cool down the real estate market and may adopt further measures in the future.

Our business depends on the level of business activity in the property development and construction industries that use our products in their operations in the PRC. Our products are sold to customers in the property development and construction industries. If the property and construction industries fall into a recession in the future, the demand for construction materials, such as ceramic tiles, may consequently decrease and have a significant adverse effect on our business.

The PRC government has committed to taking steps to regulate real estate development, promote the healthy development of the real estate industry in China, and strengthen the supervision over land for real estate development purposes. For example, in his 2010 annual report to the National People's Congress, as part of the 12th Five-Year Plan, Chinese Premier Wen Jiabao pledged to curb the rise of housing prices in certain cities to increase the availability of affordable housing. The program targets 36 million units of new housing by 2015 at a cost of nearly \$800 million. The full effect of such policies on the real estate industry and our business will depend in large part on the implementation and interpretation of the circulars by governmental agencies, local governments, and banks involved in the real estate industry. We cannot be certain that the PRC government will not issue additional and more stringent regulations or measures or that agencies and banks will not adopt restrictive measures or practices in response to PRC governmental policies and regulations, which could negatively affect the main industries we serve in the PRC, and thereby harm our sales.

Our manufacturing activities are dependent upon availability of skilled and unskilled labor, a deficiency of which could result in a reduction in profits.

Our manufacturing activities are labor intensive and dependent on the availability of skilled and unskilled labor in large numbers. Large labor intensive operations call for good monitoring and maintenance of cordial relations. Non-availability of labor, poor labor management and/or any disputes between the labor and management may result in a reduction in profits. Further, we rely on contractors who engage on-site laborers for performance of many of our unskilled operations. The scarcity or unavailability of contract laborers may affect our operations and financial performance.

We face increasing labor costs and other costs of production in the PRC, which could limit our profitability.

The ceramic tile manufacturing industry is labor intensive. Labor costs in China have been increasing in recent years and our labor costs in the PRC could continue to increase in the future. If labor costs in the PRC continue to increase, our production costs will likely increase which may in turn affect the selling prices of our products. We may not be able to pass on these increased costs to consumers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease.

Violation of Foreign Corrupt Practices Act or China anti-corruption law could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States public companies from bribing or making prohibited payments to foreign officials to obtain or retain business. PRC law also strictly prohibits bribery of government officials. While we take precautions to educate our employees about the Foreign Corrupt Practices Act and Chinese anti-corruption law, there can be no assurance that we or the employees or agents of our subsidiaries will not engage in such conduct, for which we may be held responsible. If that were to occur, we could suffer penalties that may have a material adverse effect on our business, financial condition and results of operations.

Our independent registered public accounting firm's audit documentation related to their audit reports included in this annual report may be located in the People's Republic of China. The Public Company Accounting Oversight Board currently cannot inspect audit documentation located in China and, as such, you may be deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the U.S. Securities and Exchange Commission, as auditors of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States) (the "PCAOB"), is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the applicable laws of the United States and professional standards. Because the audit documentation relating to our auditor's audit report is located in the People's Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, such auditor, like other independent registered public accounting firms operating in China, is not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating audit documentation located in China and its related quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections. On December 3, 2012, the SEC issued an order instituting administrative proceedings against five of the largest global public accounting firms relating to work performed in the PRC and such firms' failure to provide audit workpapers to the SEC in this regard. An extension concerning a decision in this matter has been granted until October 2013. We cannot predict the outcome of this matter or the effect it may have on our ability to make timely filings with the SEC.

Risk Factors Relating to Operations In China

We are dependent on political, economic, regulatory and social conditions in the PRC.

Approximately 93.1% of our revenue in each of the last three fiscal years was derived from the PRC market and we anticipate that the PRC market will continue to be the major source of revenue for the foreseeable future. Accordingly, any significant slowdown in the PRC economy or decline in demand for our products from our customers in the PRC will have an adverse effect on our business and financial performance. Furthermore, as our operations and production facilities are located in the PRC, any unfavorable changes in the social and/or political conditions may also adversely affect our business and operations.

While the current policy of the PRC government seems to be one of economic reform to encourage foreign investments and greater economic decentralization, there is no assurance that such a policy will continue to prevail in the future. There is no assurance that our operations will not be adversely affected should there be any policy changes.

We are subject to risks related to the laws and regulations of the PRC and the interpretation and implementation thereof.

Our business and operations, as well as those of our customers and suppliers in the PRC, are subject to the laws and regulations promulgated by relevant PRC governmental authorities. The PRC government is still in the process of developing a comprehensive set of laws and regulations in the course of the PRC's transformation from a centrally planned economy to a more free market oriented economy. As the legal system in the PRC is still in flux, laws and regulations or their interpretation may be subject to change. Furthermore, any change in the political and economic policy of the PRC government may also result in similar changes in the laws and regulations or the interpretation thereof. Such changes may adversely affect our operations and business in the PRC.

The PRC legal system is a codified legal system comprising written laws, regulations, circulars, administrative directives, and internal guidelines as well as judicial interpretations. Decided cases do not form part of the legal structure of the PRC and thus have no binding effect. As such, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the authorities. This has resulted in the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems. Due to such inconsistency and unpredictability, if we should be involved in any legal dispute in the PRC, we may experience difficulties in obtaining legal redress or in enforcing our legal rights.

From time to time, changes in law, registration requirements, and regulations or the implementation thereof may also require us to obtain additional approvals and licenses from the PRC authorities for carrying out our operations in the PRC which would incur additional expenses in order to comply with such requirements and in turn affect our financial performance with the increase in our business costs. Furthermore, there can be no assurance that approvals, registrations, or licenses will be granted to us promptly or at all. If we experience delays in obtaining or are unable to obtain such required approvals, registrations, or licenses, our operations and business in the PRC, and hence our overall financial performance will be adversely affected.

Our business activities are subject to certain PRC laws and regulations.

As our production and operations are carried out in the PRC, we are subject to certain PRC laws and regulations. In addition, being a wholly foreign-owned enterprise, we are required to comply with certain additional laws and regulations. Pursuant to PRC laws and regulations, the breach or non-compliance with such laws and regulations may result in the PRC authorities suspending, withdrawing or terminating our business license, causing us to cease production of all or certain of our products, and this would materially and adversely affect our business and financial performance.

Our corporate affairs in the PRC are governed by our articles of association and the corporate and foreign investment laws and regulations of the PRC. The principles of the PRC laws relating to matters such as the fiduciary duties of directors and other corporate governance matters and foreign investment laws in the PRC are relatively new. Hence, the enforcement of investors or shareholders' rights under the articles of association of a PRC company and the interpretation of the relevant laws relating to corporate governance matters remain largely untested in the PRC.

PRC foreign exchange control may limit our ability to utilize our profits effectively and affect our ability to receive dividends and other payments from our PRC subsidiaries.

Hengda is a foreign investment enterprise, or "FIE," and is subject to the rules and regulations in the PRC on currency conversion. In the PRC, State Administration of Foreign Exchange, or SAFE, regulates the conversion of the RMB into foreign currencies. Currently, FIEs are required to apply to SAFE for "Foreign Exchange Registration Certificates for Foreign Investment Enterprise". With such registration certifications (which need to be renewed annually), FIEs are allowed to open foreign currency accounts including the "current account" and "capital account". Currently, conversion of currency within the scope of the "current account" (e.g. remittance of foreign currencies for payment of dividends, etc.) can be effected without requiring the approval of SAFE. However, conversion of currency in the "capital account" (e.g. for capital items such as direct investments, loans, securities, etc.) still requires the approval of SAFE.

On October 21, 2005, SAFE promulgated the "Notice on Issues concerning Foreign Exchange Management in Financing by PRC Residents by Overseas Special Purpose Vehicle and Return Investments" (the "No. 75 Notice").

The No. 75 Notice came into effect on November 1, 2005 and requires the following matters, among others, to be complied with: every PRC domestic resident who establishes or controls an overseas special purpose vehicle, or "SPV," must apply to the local bureau of SAFE for an "overseas investment foreign exchange registration."

Every PRC domestic resident of an SPV who has completed the “overseas investment foreign exchange registration”, or “Registrant,” must make an application to the local bureau of SAFE to amend their registration particulars upon (i) the injection of any PRC domestic assets or the equity interests of any PRC domestic company owned by the PRC domestic resident into the SPV, and (ii) the implementation of any overseas equity fund-raising by the SPV following an injection of PRC domestic assets or the equity interests of a PRC domestic company; every Registrant must apply to the local bureau of SAFE for change of registration particulars or recordation within 30 days after the occurrence of any capital increase or reduction, changes in shareholdings or share swap, merger, long-term investment in equities or debentures, guarantee of foreign indebtedness and other major capital changes not involving “return investment”, undertaken by an SPV; and every Registrant must repatriate, within 180 days, dividends or profits which he receives from an SPV and/or income derived from changes in the shareholding of an SPV.

There can be no assurance that SAFE will not continue to issue new rules and regulations and/or further interpretations of the No. 75 Notice that will strengthen the foreign exchange control. As we are located in the PRC and all of our sales are denominated in RMB, our ability to pay dividends or make other distributions may be restricted by PRC foreign exchange control restrictions. There can be no assurance that the relevant regulations will not be amended to our detriment and that our ability to distribute dividends will not be adversely affected.

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business.

The PRC legal system is based on the Constitution of the People’s Republic of China and is made up of written laws, regulations, circulars and directives. With the PRC’s entry into the WTO, the PRC government is in the process of developing its legal system so as to encourage foreign investments and to meet the needs of investors. As the PRC economy is developing at a generally faster rate than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at the experimental stage and therefore subject to policy changes. There is no assurance that the introduction of new laws or regulations, changes to existing laws and regulations and the interpretation or application thereof or the delays in obtaining approvals from the relevant PRC authorities will not have an adverse impact on our business or prospects.

In particular, on August 8, 2006, the Ministry of Commerce, the China Securities Regulatory Commission, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration of Industry and Commerce and the State Administration of Foreign Exchange promulgated the “Rules on the Mergers and Acquisition of Domestic Enterprises by Foreign Investors” which came into effect on September 8, 2006, or “the M&A Rules.” Foreign investors should comply with the rules when they purchase shareholding equities of a PRC domestic non-foreign-funded enterprise, or Domestic Company, or subscribe to the increased capital of a Domestic Company, and thus changing the nature of the Domestic Company into a foreign investment enterprise. The rules stipulate, inter alia, (i) that the acquisition of a Domestic Company by an affiliated foreign enterprise established or controlled by PRC entities or individuals must be approved by the Ministry of Commerce; (ii) that the incorporation of a special purpose vehicle, which is directly or indirectly controlled by PRC entities for the purpose of an overseas listing of the equity interest of a Domestic Company, must be subject to the approval of the Ministry of Commerce; (iii) that the acquisition of a Domestic Company by a special purpose vehicle shall be subject to approval of the Ministry of Commerce and (iv) the offshore listing of a special purpose vehicle shall be subject to the prior approval from China Securities Regulatory Commission.

As Hengda was incorporated as a FIE and China Ceramics does not fall within the scope of being classified as a special purpose vehicle directly or indirectly established or controlled by PRC entities or individuals, the M&A Rules do not apply to the Business Combination, and we were not required to obtain the approval from the Ministry of Commerce, the approval from the China Securities Regulatory Commission and/or any other approvals from PRC government authorities as stipulated by the M&A Rules. There is however no assurance that the PRC authorities will not issue further directives, regulations, clarifications or implementation rules, which may require us or other relevant parties to obtain further approvals with respect to the Business Combination. If new laws are promulgated or the existing laws are reinterpreted, our structure could be determined to be in violation of such laws and subject to sanction by applicable government authorities.

Environmental, health and safety laws could impose material liabilities on us and could require us to incur material capital and operational costs.

We are subject to environmental, health and safety laws and regulations in the PRC that impose controls on our air, water and waste discharges, on our storage, handling, use, discharge and disposal of chemicals, and on exposure of our employees to hazardous substances. These laws and regulations could require us to incur costs to maintain compliance and could impose liability to remedy the effects of hazardous substance contamination. Although we do not believe that we have violated any of such laws and regulations and therefore have not incurred any significant liabilities under these laws and regulations in the past, the environmental laws and regulations are constantly evolving and becoming stricter in the PRC. The adoption of new laws or regulations or our failure to comply with these laws or regulations in the future could cause us to incur material liabilities and could require us to incur additional expenses, curtail operations and/or restrict our ability to expand. Hengdali is currently in the process of applying for a Pollutant Discharge Permit, and the environmental protection agency in Gaoan has accepted Hengdali's application. If the Pollutant Discharge Permit is not issued and Hengdali discharges pollutants, Hengdali may be warned, ordered to stop discharging pollutants, and/or fined by the environmental protection agency.

Our business will suffer if we lose our land use rights.

There is no private ownership of land in China and all land ownership is held by the government of China, its agencies, and collectives. In the case of land used for business purposes, land use rights can be obtained from the government for a period up to 50 years, and are typically renewable. Land use rights can be granted upon approval by the land administrative authorities of China (State Land Administration Bureau) upon payment of the required land granting fee, the entry into a land use agreement with a competent governmental authority and certain other ministerial procedures. We have received land use certificates for certain parcels of land on which our operations reside, but we may not have followed all procedures required to obtain such certificates or paid all required fees. If the Chinese administrative authorities determine that we have not fully complied with all procedures and requirements needed to hold a land use certificate, we may be forced by the Chinese administrative authorities to retroactively comply with such procedures and requirements, which may be burdensome and require us to make payments, or such Chinese administrative authorities may invalidate or revoke our land use certificate entirely. If the land use right certificates needed for our operations are determined by the government of China to be invalid or if they are not renewed, we may lose production facilities or employee accommodations that would be difficult or even impossible to replace. Should we have to relocate, our workforce may be unable or unwilling to work in the new location and our business operations will be disrupted during the relocation. The relocation or loss of facilities could cause us to lose sales and/or increase our costs of production, which would negatively impact our financial results.

We own certain buildings collectively, which may limit our right to use, renovate or dispose of such buildings.

Together with three other companies, we collectively own several buildings located at the Junbing Industrial Zone in Jinjiang City with a total construction area of 29,120.83 square meters. As a result, our right to use, renovate and dispose of such buildings may be limited.

If we become directly subject to the recent scrutiny involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and/or defend the matter, which could harm our business operations, stock price and reputation and could result in a complete loss of your investment in us.

Recently, U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny by investors, financial commentators and regulatory agencies. Much of the scrutiny has centered around financial and accounting irregularities and mistakes, a lack of effective internal controls over financial reporting and, in many cases, allegations of fraud. As a result of the scrutiny, the publicly traded stock of many U.S. listed China-based companies that have been the subject of such scrutiny has sharply decreased in value. Many of these companies are now subject to shareholder lawsuits and/or SEC enforcement actions that are conducting internal and/or external investigations into the allegations. If we become the subject of any such scrutiny, whether any allegations are true or not, we may have to expend significant resources to investigate such allegations and/or defend our company. Such investigations or allegations will be costly and time-consuming and distract our management from our business plan and could result in our reputation being harmed and our stock price could decline as a result of such allegations, regardless of the truthfulness of the allegations.

Risks to China Ceramics' Shareholders

There has not been an active public market for our shares so the price of our shares could be volatile and could decline at a time when you want to sell your holdings.

Our shares are not actively traded and the price of our shares is volatile, and this volatility may continue. For instance, since the completion of the business combination through March 31, 2013, the closing price of our shares ranged between \$9.95 and \$1.33. Although our shares began trading on the NASDAQ Capital Market on November 3, 2010 under the symbol "CCCL," and began trading on the NASDAQ Global Market on January 18, 2011, we cannot assure you that such listing will improve volume, reduce volatility and stabilize our share price.

The NASDAQ Global Market may delist our securities from quotation on its exchange which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

Our shares are listed on the NASDAQ Global Market, a national securities exchange. However, we cannot assure you that our securities will continue to be listed on the NASDAQ Global Market in the future. In order to continue listing our securities on the NASDAQ Global Market, we must maintain certain financial, distribution and share price levels. Generally, we must (i) maintain a minimum amount in shareholders' equity (generally above \$10,000,000), maintain a minimum market value of listed securities (generally above \$50,000,000) or have minimum total assets and total revenue for the prior year of for two of the three preceding years (generally above \$50,000,000); and (ii) a minimum number of publicly held shares (generally greater than 750,000) and a minimum number of public shareholders (generally greater than 400 shareholders). Our shares also cannot have a bid price of less than \$1.00. Moreover, we must comply with certain listing standards regarding the independence of our board of directors and members of our audit committee. We currently meet these requirements, but there can be no assurance that we will continue to be able to meet these requirements in the future.

If the NASDAQ Global Market delists our securities from trading on its exchange and we are not able to list our securities on another national securities exchange, we could face significant material adverse consequences including:

- limited availability of market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our shares are “penny stocks,” which will require brokers trading in our shares to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our shares;
- limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

There is a risk that China Ceramics could be treated as a U.S. domestic corporation for U.S. federal income tax purposes after the Redomestication and the Business Combination, which, among other things, could result in significantly greater U.S. federal income tax liability to China Ceramics.

Section 7874(b) of the Internal Revenue Code of 1986, as amended (the “Code”) generally provides that a corporation organized outside the United States that acquires, directly or indirectly, pursuant to a plan or series of related transactions substantially all of the assets of a corporation organized in the United States will be treated as a domestic corporation for U.S. federal income tax purposes if shareholders of the acquired corporation, by reason of owning shares of the acquired corporation, own at least 80% (of either the voting power or the value) of the stock of the acquiring corporation after the acquisition. Under regulations promulgated under Section 7874, a warrant holder of either the acquired corporation or the acquiring corporation generally is treated for this purpose as owning stock of the acquired corporation or the acquiring corporation, as the case may be, with a value equal to the excess of the value of the shares underlying the warrant over the exercise price of the warrant. If Section 7874(b) were to apply to the Redomestication, then, among other things, China Ceramics, as the surviving entity, would be subject to U.S. federal income tax on its worldwide taxable income following the Redomestication and the Business Combination as if China Ceramics were a domestic corporation.

Although Section 7874(b) should not apply to treat China Ceramics as a domestic corporation for U.S. federal income tax purposes, due to the absence of full guidance on how the rules of Section 7874(b) apply to the transactions completed pursuant to the Redomestication and Business Combination, this result is not entirely free from doubt. Securities holders are urged to consult their own tax advisors on this issue. See the discussion in the section entitled “Taxation — United States Federal Income Taxation — Tax Treatment of China Ceramics After the Redomestication and the Business Combination.” The balance of this discussion assumes that China Ceramics will be treated as a foreign corporation for U.S. federal income tax purposes.

There is a risk that China Ceramics will be classified as a passive foreign investment company, or “PFIC,” which could result in adverse U.S. federal income tax consequences to U.S. holders of its securities.

In general, China Ceramics will be treated as a PFIC for any taxable year in which either (1) at least 75% of its gross income (including its pro rata share of the gross income of its 25% or more-owned corporate subsidiaries) is passive income or (2) at least 50% of the average value of its assets (including its pro rata share of the assets of its 25% or more-owned corporate subsidiaries) produce, or are held for the production of, passive income. Passive income generally includes dividends, interest, rents, royalties, and gains from the disposition of passive assets. If China Ceramics is determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder (as defined in the section entitled “Taxation—United States Federal Income Taxation—General”) of its securities, the U.S. Holder may be subject to increased U.S. federal income tax liability upon a sale or other disposition of securities of China Ceramics or the receipt of certain excess distributions from China Ceramics and may be subject to additional reporting requirements. Based on the composition (and estimated values) of the assets and the nature of the income of China Ceramics and its subsidiaries during its 2012 taxable year, China Ceramics does not believe that it was treated as a PFIC for such year. However, because China Ceramics has not performed a definitive analysis as to its PFIC status for its 2012 taxable year, there can be no assurance in respect to its PFIC status for such year. There also can be no assurance with respect to China Ceramics’ status as a PFIC for its current (2013) taxable year or any future taxable year. U.S. Holders of securities of China Ceramics are urged to consult their own tax advisors regarding the possible application of the PFIC rules. See the discussion in the section entitled “Taxation—United States Federal Income Taxation—U.S. Holders—Passive Foreign Investment Company Rules.”

Under the EIT Law, China Ceramics, Success Winner and/or Stand Best may be classified as a “resident enterprise” of the PRC. Such classification could result in PRC tax consequences to China Ceramics, our non-PRC resident security holders, Success Winner and/or Stand Best.

On March 16, 2007, the National People’s Congress approved and promulgated a new tax law, the PRC Enterprise Income Tax Law, or “EIT Law,” which took effect on January 1, 2008. Under the EIT Law, enterprises are classified as “resident enterprises” and non-resident enterprises. An enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes.

The implementing rules of the EIT Law define “de facto management bodies” as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise; however, it remains unclear whether the PRC tax authorities would deem our managing body as being located within China. Due to the short history of the EIT Law and lack of applicable legal precedents, the PRC tax authorities determine the PRC tax resident treatment of a foreign (non-PRC) company on a case-by-case basis.

If the PRC tax authorities determine that China Ceramics, Success Winner and/or Stand Best is a “resident enterprise” for PRC enterprise income tax purposes, a number of PRC tax consequences could follow. First, China Ceramics, Success Winner and/or Stand Best may be subject to the enterprise income tax at a rate of 25% on China Ceramics’, Success Winner’s and/or Stand Best’s worldwide taxable income, as well as PRC enterprise income tax reporting obligations. Second, under the EIT Law and its implementing rules, dividends paid between “qualified resident enterprises” are exempt from enterprise income tax. As a result, if China Ceramics, Success Winner and Stand Best are each treated as “qualified resident enterprises,” all dividends from Hengda to China Ceramics (through Success Winner and Stand Best) should be exempt from the PRC enterprise income tax.

If Stand Best were treated as a PRC “non-resident enterprise” under the EIT Law, then dividends that Stand Best receives from Hengda (assuming such dividends were considered sourced within the PRC) (i) may be subject to a 5% PRC withholding tax, provided that Stand Best owns more than 25% of the registered capital of Hengda continuously within 12 months immediately prior to obtaining such dividend from Hengda, and the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, or the “PRC-Hong Kong Tax Treaty,” were otherwise applicable, or (ii) if such treaty does not apply (i.e., because the PRC tax authorities may deem Stand Best to be a conduit not entitled to treaty benefits), may be subject to a 10% PRC withholding tax. Similarly, if Success Winner were treated as a “non-resident enterprise” under the EIT Law and Stand Best were treated as a “resident enterprise” under the EIT Law, then dividends Success Winner receives from Stand Best (assuming such dividends were considered sourced within the PRC) may be subject to a 10% PRC withholding tax. A similar situation may arise if China Ceramics were treated as a “non-resident enterprise” under the EIT Law, and Success Winner were treated as a “resident enterprise” under the EIT Law. Any such taxes on dividends could materially reduce the amount of dividends, if any, we could pay to our shareholders.

Finally, if China Ceramics is determined to be a “resident enterprise” under the EIT Law, this could result in a situation in which a 10% PRC tax is imposed on dividends China Ceramics pays to its investors that are not tax residents of the PRC, or “non-resident investors,” and that are enterprises but not individuals, and gains derived by them from transferring China Ceramics’ securities, if such income is considered PRC-sourced income by the relevant PRC tax authorities. In such event, China Ceramics may be required to withhold a 10% PRC tax on any dividends paid to such non-resident investors. Such non-resident investors also may be responsible for paying PRC tax at a rate of 10% on any gain derived by such investors from the sale or transfer of China Ceramics’ securities in certain circumstances. China Ceramics would not, however, have an obligation to withhold PRC tax with respect to such gain under the PRC tax laws. Also, if China Ceramics is determined to be a “resident enterprise,” its non-resident investors who are individuals may also be subject to potential PRC individual income tax at a rate of 20% with respect to dividends received from China Ceramics and/or gains derived by them from the sale or transfer of China Ceramics’ securities.

Moreover, the State Administration of Taxation, or “SAT,” released Circular Guoshuihan No. 698, or Circular 698, on December 10, 2009 that reinforces the taxation of certain equity transfers by non-resident investors through overseas holding vehicles. Circular 698 addresses indirect equity transfers as well as other issues. Circular 698 is retroactively effective from January 1, 2008. According to Circular 698, where a non-resident investor who indirectly holds an equity interest in a PRC resident enterprise through a non-PRC offshore holding company indirectly transfers an equity interest in the PRC resident enterprise by selling an equity interest in the offshore holding company, and the latter is located in a country or jurisdiction where the actual tax burden is less than 12.5% or where the offshore income of its residents is not taxable, the non-resident investor is required to provide the PRC tax authority in charge of that PRC resident enterprise with certain relevant information within 30 days of the execution of the equity transfer agreement. The tax authorities in charge will evaluate the offshore transaction for tax purposes. In the event that the tax authorities determine that such transfer is abusing forms of business organization and a reasonable commercial purpose for the offshore holding company other than the avoidance of PRC income tax liability is lacking, the PRC tax authorities will have the power to re-assess the nature of the equity transfer under the doctrine of substance over form. A reasonable commercial purpose may be established when the overall international (including U.S.) offshore structure is set up to comply with the requirements of supervising authorities of international (including U.S.) capital markets. If the SAT’s challenge of a transfer is successful, it may deny the existence of the offshore holding company that is used for tax planning purposes and subject the non-resident investor to PRC tax on the capital gain from such transfer. Since Circular 698 has a short history, there is uncertainty as to its application. We (or a non-resident investor) may become at risk of being taxed under Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that we (or such non-resident investor) should not be taxed under Circular 698, which could have a material adverse effect on our financial condition and results of operations (or such non-resident investor’s investment in us).

If any PRC tax applies to a non-resident investor, the non-resident investor may be entitled to a reduced rate of PRC tax under an applicable income tax treaty and/or a deduction for such PRC tax against such investor’s domestic taxable income or a foreign tax credit in respect of such PRC tax against such investor’s domestic income tax liability (subject to applicable conditions and limitations). Investors should consult with their own tax advisors regarding the applicability of any such taxes, the effects of any applicable income tax treaties, and any available deductions or foreign tax credits.

For a further discussion of these issues, see the section herein captioned “Taxation—PRC Taxation.”

Fluctuations in exchange rates could adversely affect our business and the value of our securities.

The value of our shares will be indirectly affected by the foreign exchange rate between U.S. dollars and the Renminbi and between those currencies and other currencies in which our revenue may be denominated. Because all of our earnings and cash assets are denominated in Renminbi, fluctuations in the exchange rate between the U.S. dollar and the Renminbi will affect the relative purchasing power of these proceeds, as well as our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business, financial condition or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue after this offering that will be exchanged into U.S. dollars and earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

Since July 2005, the Renminbi has not been pegged to the U.S. dollar. Although the People’s Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future the Chinese authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by Chinese exchange control regulations that restrict our ability to convert Renminbi into foreign currencies.

As the rights of shareholders under British Virgin Islands law differ from those under U.S. law, you may have fewer protections as a shareholder.

Our corporate affairs will be governed by our memorandum and articles of association, the BVI Business Companies Act, 2004 (as amended), or the BVI Act, and the common law of the British Virgin Islands. The rights of shareholders to take legal action against our directors, actions by minority shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are to a large extent governed by the common law of the British Virgin Islands and by the BVI Act. The common law of the British Virgin Islands is derived in part from comparatively limited judicial precedent in the British Virgin Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the British Virgin Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the British Virgin Islands has a less developed body of securities laws as compared to the United States, and some states (such as Delaware) have more fully developed and judicially interpreted bodies of corporate law.

As a result of all of the above, holders of our shares may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than they would as shareholders of a U.S. company. For a discussion of significant differences between the provisions of the BVI Act and the laws applicable to companies incorporated in the United States and their shareholders.

British Virgin Islands companies may not be able to initiate shareholder derivative actions, thereby depriving shareholders of the ability to protect their interests.

British Virgin Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. The circumstances in which any such action may be brought, and the procedures and defenses that may be available in respect to any such action, may result in the rights of shareholders of a British Virgin Islands company being more limited than those of shareholders of a company organized in the United States. Accordingly, shareholders may have fewer alternatives available to them if they believe that corporate wrongdoing has occurred. The British Virgin Islands courts are also unlikely to recognize or enforce against us judgments of courts in the United States based on certain liability provisions of U.S. securities law; and to impose liabilities against us, in original actions brought in the British Virgin Islands, based on certain liability provisions of U.S. securities laws that are penal in nature. There is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will generally recognize and enforce the non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. This means that even if shareholders were to sue us successfully, they may not be able to recover anything to make up for the losses suffered.

The laws of the British Virgin Islands provide little protection for minority shareholders, so minority shareholders will have little or no recourse if the shareholders are dissatisfied with the conduct of our affairs.

Under the laws of the British Virgin Islands, there is little statutory law for the protection of minority shareholders other than the provisions of the BVI Act dealing with shareholder remedies. The principal protection under statutory law is that shareholders may bring an action to enforce the constitutional documents of the company memorandum and articles of association as shareholders are entitled to have the affairs of the company conducted in accordance with the BVI Act and the memorandum and articles of association of the company. A shareholder may also bring an action under statute if he feels that the affairs of the company have been or will be carried out in a manner that is unfairly prejudicial or discriminating or oppressive to him.

There are also common law rights for the protection of shareholders that may be invoked, largely dependent on English common law, since the common law of the British Virgin Islands for business companies is limited.

The market price for our shares has been and may continue to be volatile.

The market price for our shares is has been and is likely to continue to be highly volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of companies specializing in the ceramics business in China;

- announcements by us and our affiliates or our competitors of new products, acquisitions, strategic relationships, joint ventures or capital commitments;
- addition or departure of our senior management and key personnel; and
- fluctuations of exchange rates between the RMB and the U.S. dollar.

Volatility in the price of our shares may result in shareholder litigation that could in turn result in substantial costs and a diversion of our management's attention and resources.

The financial markets in the United States and other countries have experienced significant price and volume fluctuations, and market prices have been and continue to be extremely volatile. Volatility in the price of our shares may be caused by factors outside of our control and may be unrelated or disproportionate to our results of operations. In the past, following periods of volatility in the market price of a public company's securities, shareholders have frequently instituted securities class action litigation against that company. Litigation of this kind could result in substantial costs and a diversion of our management's attention and resources.

Although we currently plan to pay a dividend in July 2013 and January 2014, we may cancel such dividend or decide not to declare a dividend in future periods, in which case, shareholders will benefit from an investment in our shares only if those share appreciate in value.

Although we currently plan to pay a dividend in July 2013 and January 2014, we may cancel such dividend or decide not to declare a dividend in future periods. The declaration and payment of cash dividends is at the discretion of our board of directors and will depend on factors our board of directors deems relevant, including among others, our results of operations, financial condition and cash requirements, business prospects, and the terms of our credit facilities, if any, and any other financing arrangements. If we choose not to pay out the currently planned dividends or if we choose not to declare dividends in the future, realization of a gain on shareholders' investments will depend on the appreciation of the price of our shares, and there is no guarantee that our shares will appreciate in value.

We may not be able to pay any dividends on our shares in the future due to British Virgin Islands law.

Under British Virgin Islands law, we may only pay dividends to our shareholders if the value of our assets exceeds our liabilities and we are able to pay our debts as they become due. We cannot give any assurance that we will declare dividends of any amounts, at any rate or at all in the future. Future dividends, if any, will be at the discretion of our board of directors, and will depend upon our results of operations, cash flows, financial condition, payment to us of cash dividends by our subsidiaries, capital needs, future prospects and other factors that our directors may deem appropriate.

We may need additional capital, and the sale of additional shares or equity or debt securities could result in additional dilution to our shareholders.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain one or more additional credit facilities. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our principal PRC-based operating subsidiary, Hengda, was established on September 30, 1993 under the laws of the PRC. All of the equity interests in Hengda are 100% owned by Stand Best as of December 31, 2010. Hengda is a wholly foreign-owned enterprise in China.

Our other PRC-based operating subsidiary, Hengdali, was established on June 27, 2008 under the laws of the PRC. All of the equity interests in Hengdali are 100% owned by Hengda as of December 31, 2011.

Stand Best was established on January 17, 2008 under the laws of Hong Kong. Stand Best acquired the entire shareholdings of Hengda on April 1, 2008 for consideration of RMB 58,980,000. As a result of this acquisition, Hengda became the wholly owned subsidiary of Stand Best.

Success Winner was established on May 29, 2009 under the laws of British Virgin Islands with Mr. Wong Kung Tok as its sole shareholder and sole director.

On June 30, 2009, pursuant to the capitalization agreement dated June 30, 2009, Success Winner was issued the 9,999 shares allotted by Stand Best as per the capitalization exercise of a shareholder's loan of HK\$67.9 million (RMB 58.9 million). On the same date, the shareholder of Stand Best, Mr. Wong Kung Tok transferred all his shareholdings in Stand Best to Success Winner. Therefore, Mr. Wong Kung Tok, from June 30, 2009 to November 20, 2009, indirectly owned 100% of Stand Best and in turn, 100% of Hengda.

CHAC was incorporated in Delaware on June 22, 2007 and was organized as a blank check company for the purpose of acquiring, through a stock exchange, asset acquisition or other similar business combination, or controlling, through contractual arrangements, an operating business that had its principal operations in Asia, with a focus on potential acquisition targets in China.

Pursuant to the terms of a merger and stock purchase agreement dated August 19, 2009, on November 20, 2009, CHAC merged with and into China Ceramics, its wholly owned British Virgin Islands subsidiary, and immediately thereafter, and as part of the same integrated transaction, China Ceramics acquired all of the outstanding securities of Success Winner.

Prior to China Ceramics' acquisition of Success Winner, neither CHAC nor China Ceramics had any operations.

On November 19, 2009, Hengda entered into a definitive acquisition agreement to acquire a new production facility in Gaoan, Jiangxi Province, PRC by purchasing 100% of the equity interests in Hengdali. The closing of the acquisition was subject to the Gaoan City Administration for Industry and Commerce transferring the registration and business license of Hengdali from Hengdali's former shareholders to Hengda. The transfer occurred on January 8, 2010. Hengda appointed an executive officer to take control over Hengdali's operating and financing activities on the same day. In total, Hengda assumed loans of RMB 60.0 million and paid cash consideration of RMB 185.5 million for the acquisition.

The total maximum annual production capacity from our two facilities is 72 million square meters of ceramic tiles as of December 31, 2012. However, due to current economic conditions, we are currently utilizing production facilities capable of producing 46 million square meters.

The following chart reflects our organizational structure as of December 31, 2012:



China Ceramics' History

China Ceramics is a British Virgin Islands limited liability company whose predecessor, CHAC, incorporated in Delaware on June 22, 2007, was organized as a blank check company for the purpose of acquiring, through a stock exchange, asset acquisition or other similar business combination, or controlling, through contractual arrangements, an operating business, that has its principal operations in Asia.

Pre-IPO Private Placement

On November 21, 2007, CHAC completed a private placement of 2,750,000 warrants to Paul K. Kelly, James D. Dunning, Jr., Alan G. Hassenfeld, Gregory E. Smith, Xiao Feng, Cheng Yan Davis, Soapakij (Chris) Cheavranant and Ruby Bin Kao, collectively referred to as the founding shareholders, as a result of which CHAC received net proceeds of \$2,750,000.

The Initial Public Offering

On November 21, 2007, CHAC consummated its initial public offering of 12,000,000 units. On December 14, 2007, the underwriters of CHAC's initial public offering exercised their over-allotment option for an offering of 800,000 units. Each unit in the offering consisted of one share and one share purchase warrant. Each warrant entitles the holder to purchase from China Ceramics one share in China Ceramics at an exercise price of \$7.50. CHAC's shares and warrants started trading separately as of December 17, 2007.

The Business Combination

Pursuant to the terms of a merger and stock purchase agreement dated August 19, 2009, on November 20, 2009, CHAC merged with and into China Ceramics, its wholly owned British Virgin Islands subsidiary, and, immediately thereafter, and as part of the same integrated transaction, China Ceramics acquired all of the issued and outstanding shares of Success Winner held by its former shareholder in exchange for \$10.00 and 5,743,320 shares of China Ceramics shares. In addition, 8,185,763 shares of the China Ceramics shares were placed in escrow (the "Contingent Shares") to be released to the seller in the event certain earnings and stock price thresholds were achieved. Of the Contingent Shares, 5,185,763 Contingent Shares were released based on our achieving growth in either net earnings before tax or net earnings after tax, depending on the year. 3,000,000 Contingent Shares that were eligible to be released if China Ceramics shares closed at or above certain share price targets for any twenty trading days within a thirty trading day period prior to April 30, 2012 were canceled because we did not meet applicable price targets. We currently have 20,430,838 issued and outstanding shares.

Concurrent with the Business Combination, we redeemed and purchased an aggregate of 11,193,149 of our shares from our public stockholders for an aggregate purchase price of approximately \$109.6 million (in transactions intended to assure the successful completion of the Business Combination). Such shares were voted in favor of the Business Combination and the other related proposals.

On November 16, 2012 all of our share purchase warrants expired and ceased to trade.

China Ceramics' registered office is c/o Harneys Corporate Services Limited of Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

B. Business Overview

History and Current Business

Overview

We are a leading Chinese manufacturer of ceramic tiles used for exterior siding and for interior flooring and design in residential and commercial buildings. The ceramic tiles, sold under the "HD" or "Hengda," "HDL" or "Hengdeli," "Pottery Capital of Tang Dynasty," "TOERTO" and "WULIQIAO" brands are available in over two thousand styles, colors and size combinations. Currently, we have six principal product categories: (i) porcelain tiles, (ii) glazed tiles, (iii) glazed porcelain tiles, (iv) rustic tiles, (v) ultra-thin tiles and (vi) polished glazed tiles. Porcelain tiles are our best-selling products, accounting for over 68.4% of our total revenue in 2012.

Ceramic tiles are widely used in the PRC as a construction material for residential and commercial buildings. Ceramic tiles are used for flooring, interior walls for decorative purposes and on exterior siding due to their resistance to temperature, extreme environments, erosion, abrasion and discoloration for extended periods of time. Citigroup Global Markets reports that the PRC government has actively promoted the construction of affordable housing by ensuring that 77% of the new land made available was allocated to those in the low-income bracket, especially in Tier II and III cities. During the 11th National People's Congress (NPC) relating to the central government's draft 12th Five Year Plan (2011 -2015), Premier Wen Jiabao pledged that the government will curb excessive housing price growth and provide enough affordable houses for needy residents. Premier Wen stated that, from 2011 to 2015, the country aims to build 36 million units of affordable housing covering 20 percent of the country's households.

Our manufacturing facilities operated as Jinjiang Hengda Ceramics Co., Ltd. are located in Jinjiang, Fujian Province, and our manufacturing facilities operated as Jiangxi Hengdali Ceramic Materials Co., Ltd. are located in Gaoan, Jiangxi Province. Combined, these facilities currently provide an aggregate annual maximum production capacity of approximately 72 million square meters. However, due to current economic conditions, we are currently utilizing production facilities capable of producing 46 million square meters. We currently have fourteen production lines (twelve of which were utilized in 2012), with each production line optimized to manufacture specific size ranges to maximize efficiency and output.

We primarily sell our products through an exclusive distributor network or directly to property developers. We have long-term relationships with our customers; our top ten customers in 2012 have been purchasing from us for over ten years. We have been in discussions with some large property developers in China to be their exclusive or primary provider of ceramic tiles and, although no arrangements or agreements have been entered into, we expect to enter into arrangements of that type in the foreseeable future.

We focus our research and development efforts on developing innovative and environmentally-friendly products. We own eight utility model patents. Our stringent tile management and marketing efforts have created a strong business reputation and high brand awareness as demonstrated by us receiving the “Chinese Well-Known Trademark” award from the Intermediate People’s Court of Xiangtan City and “Asia’s 500 Most Influential Brands 2012” award from the World Brand Laboratory.

Our Industry

We operate in the Chinese ceramic tile industry which is fragmented, highly competitive and closely tied to the PRC economy. Although there is little industry data available, management believes from its knowledge of other manufactures that it is one of the largest PRC-based manufacturers of ceramic tiles.

In 2013, according to China Daily, China’s gross domestic product (GDP) totaled approximately \$7.4 trillion, making it the world’s second largest economy after the United States. Although 2012 GDP grew by 7.8% compared to 9.2% growth in 2011, due to a slowdown of the economy, we believe that construction and real estate development will continue to be a key driver behind China’s GDP growth with property investment and related industries constituting a significant percentage of its GDP. Demand for ceramic tile product depends upon and directly correlates to activity in the construction and real estate development industries. The ceramic tile industry’s two primary markets in the PRC are residential construction applications and commercial construction applications.

The Company believes that China’s real estate sector has been under pressure due to speculative activities and government policies that restricted construction with the intent to rein in rising prices. However, the Company sees some positive developments in recent reports that the government is urging local planning authorities to free up land supplies for housing development.

Commencing in the fourth quarter of 2012, we observed challenging market conditions in China's real estate and construction markets which resulted in a marked decrease in the sales volume of our ceramic tile products for the quarter. Our 4th quarter 2012 revenue was down 39.3% from the fourth quarter of 2011, while our 2012 full year revenue was down 3.1% as compared to full year 2011.

Key Factors Affecting the Chinese Ceramic Tile Industry

The overall performance of the ceramic tile industry is influenced by consumer confidence, spending for durable goods, interest rates, turnover in housing, the condition of the residential and commercial construction industries and the overall strength of the economy and the recent restriction policy on the purchase of property. Demand for our ceramic tile products in the PRC heavily depends on the following economic factors and government policies designed to drive growth in the construction and real estate development sectors of the PRC economy.

Urbanization

Over the last twenty years, China has experienced rapid urbanization due to the increasingly limited capacity of rural areas to provide adequate economic support for a large agrarian population, the increasing disparity in disposable incomes between rural and urban dwellers and the easing of restrictions which historically limited rural to urban migration from rural areas to towns and cities. The development of an industrial base and service sector in urban areas has also driven large labor pools with a broad range of skills to urban areas. It is estimated that China's urban population will expand from 572 million in 2005 to 926 million in 2025 and hit the one billion mark by 2030. In 20 years, China's cities will have added 350 million people to its urban population — more than the entire population of the United States today. As a result of the urbanization trend and the associated need to expand an underdeveloped infrastructure to accommodate and house such growth, we believe that commercial and residential construction will expand measurably in future years thereby creating additional demand for our products.

Potential of Tier II and III cities

Much of the growth in China's GDP is being driven by economic activity in Tier II and Tier III cities, such as Chengdu, Chongqing, and Tianjin, which commonly have populations that exceed 10 million individuals who often live in dwellings that do not meet modern standards. According to Jones Lang LaSalle, Tier I cities will account for only 10% of China's commercial real estate activities by 2020, which highlights the attractive commercial development opportunities in Tier II and III cities. The economic impact of this trend is being felt across China's Tier II and Tier III cities as the upswing in new residential and commercial construction projects and renovations is generating new demand for construction materials.

Importance of distributors

The majority of exterior ceramic tile manufacturers do not have sufficient resources to provide their own sales coverage nationwide and rely heavily on local distributors with roughly 73% of total sales pushed through such channels. As competition has intensified, many manufacturers have started to bid directly to real-estate developers for large construction projects. Direct sales represented 12% of the total from 2011 to 2012 and market participants expect this share will continue to increase, placing a premium on a manufacturer's internal sales force while requiring product lines with greater flexibility to meet direct customer demands.

Low-income / social welfare housing

A central aspect of the government's housing policy has been to increase the availability of welfare housing inventory. Approximately 77% of the new land supply targets announced in April 2010 by the MLR have been earmarked for low-income, social welfare and small/mid-sized housing, much of this in Tier II and III cities. This plan is expected to produce approximately 3.0 million new social welfare housing units and 2.8 million new public rental housing units. The central government has committed to provide the necessary financial support, budgeting RMB63.2 billion (\$9.2 billion) for 2010 towards the construction effort, representing a 15% increase over 2009's budget, according to Citigroup Capital Markets. Citigroup Capital Markets estimates that roughly 40-50% of the total construction cost is covered by the central government with the other 50-60% of the total construction cost being paid for by the real estate developers. We believe that the increase in low-income and welfare housing will trigger greater demand for our products.

Industry and Product Offerings

There are two product segments within the ceramic tile industry: exterior and interior.

Exterior ceramic tiles

Exterior ceramic tile is mainly used as a decorative and protective component on building exteriors. Unlike other types of tiles, exterior ceramic tile must endure harsh environmental conditions and typically is manufactured to be water/dirt-resistant, non-corrosive and energy efficient. In addition, exterior ceramic tiles have other demands that interior ceramic tiles do not always have, including mandatory expansion joints, moisture considerations and thermal demands. Depending on the ultimate use of the ceramic tile and customer preferences, exterior ceramic tiles are often manufactured with customized glazing, coloring and other design and aesthetic features.

Interior ceramic tiles

Interior ceramic tiles are mainly used for decorative purposes on walls and floors in kitchens and bathrooms. Interior ceramic tiles are differentiated by design, style and perceived quality. Within China, interior ceramic tiles are typically purchased by residential owners or renovation contractors rather than property developers.

The manufacturing process is similar for both segments, however the distribution channels are different. Interior ceramic tiles are sold through retail stores and directly to contractors or residential owners. Exterior ceramic tiles are sold through distributors or directly to large property developers. Due to the higher cost distribution chain and typically smaller order sizes, profit margins are generally less within the interior ceramic tile industry.

Future Product Trends

As the ceramic tile industry in the PRC matures, builders are demanding construction materials that reduce building weight, making it possible to use light building structures and accelerate the speed of construction. Government policies meant to address energy efficiency are promoting the use of innovative wall materials, particularly those performing well in heat preservation and insulation and that are light in weight, and manufactured utilizing waste materials, less energy and fewer raw materials. In an effort to differentiate their products and meet government policies, ceramic tile manufacturers are increasingly focusing on research and development efforts.

China Ceramics' Products

We sell 100% exterior wall ceramic tiles. We produce six types of ceramic tiles:

Porcelain tiles: Porcelain tiles are fired at extreme temperatures and are therefore stronger and harder than other types of ceramic tiles. The material and the color is the same throughout and porcelain tiles are extremely durable. Although porcelain tiles have a matte surface, they absorb less water than other ceramic tiles, and as such, they are a superior solution for exterior tiling where there is frequent exposure to moisture.

Glazed tiles: Glazed tiles have a glossy finish and color patterns may be added to the exterior surface of the tile. The glaze does not go beyond the exterior surface of the tile and the interior color will show if the tile is chipped. Although glazed tiles are less water-resistant than matte porcelain tiles, they are easier to clean due to their glossy surface.

Glazed porcelain tiles: Glazed porcelain tiles combine the advantages of porcelain tiles and glazed tiles, thus enabling the tiles to have a porcelain body with a stain-proof and glossy finish.

Rustic tiles: Rustic tiles have greater versatility in their design as textures and colors can be added to their exterior surfaces and therefore can be used in more decorative situations. In addition to being used on exterior walls, rustic tiles are also used for interior walls and flooring.

Ultra-thin tiles: Ultra-thin tiles can be as thin as 4.0 mm, about half the thickness of traditional tiles. Due to their thinness, these tiles are more environmentally-friendly as the production process requires fewer raw materials and less energy. When used in combination with a specialized insulating material, the combination enables greater heat retention in the winter and keeps buildings cool in the summer with less load bearing stress on exterior building walls. Our ultra-thin tiles were commercialized in 2008.

Polished glazed tiles: Ceramic tiles can be manufactured in differing sizes according to customer specifications, with the largest sized tiles measuring 600 mm by 600 mm. We can produce over 2,000 different combinations of products, colors, textures and sizes to meet the various demands of our customers.

Our Competitive Strengths

We believe the following competitive strengths will enable us to take advantage of the rapid growth of the ceramic tile industry in China:

Brand Recognition

We believe that the “Hengda,” “HD,” “Hengdeli,” “HDL,” “Pottery Capital of Tang Dynasty,” “TOERTO” and “WULIQIAO” brands are well recognized and highly regarded in markets where our products are sold. Before 13 April, 2011, WULIQIAO was a trademark owned by Fujian Province Jinjiang City Hengda Construction Materials Co., Ltd.. Hengda signed a Trademark Licensing Contract with Fujian Province Jinjiang City Hengda Construction Materials Co., Ltd. and was licensed the exclusive right to use WULIQIAO during the terms of that trademark, which expires on January 27, 2020. Since 13 April, 2011, WULIQIAO has been transferred to Hengdali. In 2005, the brands “Hengda” and “HD” were each certified as a Fujian Well-Known Trademark by the Fujian Well-Known Trademark Award Commission and recognized as a “Chinese Well-known Trademark” in 2005 by the Intermediate People’s Court of Xiangtan City. In 2012, we were recognized with the “Asia’s 500 Most Influential Brands 2012” award from the World Brand Laboratory. Our products are selected for inclusion in strategic and high-profile projects such as the 16th Asian Games, the 11th National Chinese Games Village and the Chinese Academy of Sciences.

Focus on Tier II and Tier III Cities

Because of recent efforts by the PRC government to tighten monetary policy and constrain real estate prices in the “Tier-I” cities such as Beijing, Shanghai, Shenzhen, and Guangzhou, we believe the outlook for our business has improved, given our concentration in Tier-II and Tier-III cities. Approximately 25.97% of our revenue in the year ended December 31, 2012 was from sales of our products for use in projects in Tier-1 cities, and we expect any weakness in the Tier-1 cities to be offset by continued demand growth in the Tier-2 and Tier-3 cities, driven by urbanization trends as well as by the PRC government’s commitment to low-income housing.

Long-Term Sales Relationships

We have established an extensive distributor network and long term customer relationships, where Hengda’s top ten customers in 2012 have been purchasing from the company for over 10 years each.

Experienced Management Team

Our experienced, professional and dedicated management team brings a wealth of knowledge to our day-to-day operations and provides us with strategic direction. Our Chief Executive Officer and founder, Huang Jia Dong, has more than 20 years of experience in the ceramics industry and is Vice-Chairman of the Fujian Province Ceramic Industry Association. The five other members of the senior management team have more than 80 combined years of experience in the ceramic industry.

Modern, environmentally friendly, and efficient manufacturing capabilities

We have modern manufacturing facilities. Our Hengda facility received an ISO 9001:2000 accreditation, an international standard that acknowledged our quality control process. Our employees are required to undergo internal training regarding quality control policies, targets and procedures, as well as production and processing techniques.

We upgraded our Hengda production lines to recover and/or reuse waste water, waste dust, exhaust and kiln after-heat. This upgrade decreased energy costs by 20% in 2008 as compared to 2007. Our new Hengdali production lines were also built using new equipment that incorporates recovery methods for recycling waste water, waste dust, exhaust and kiln after-heat that operate at a higher efficiency rate. We received an Energy Conservation Advance Enterprise Award in 2008 from the Jinjiang City Government.

Focus on Research and Development

We have devoted substantial resources to establishing research and development capabilities in an effort to improve our products and diversify our product mix. Our R&D team has also focused on environmentally friendly products like the ultra-thin tile, which in addition to using fewer raw materials can reduce load-bearing stress and can provide enhanced insulating capabilities, and developed over 2000 types of different product combinations. As of the date of this Annual Report, we own eight utility model patents. “Utility model patents” means any new technical solution relating to the shape, the structure, or their combination, of a product, which is fit for practical use. In addition, we were awarded a “High-tech Enterprise Certificate” in 2007 from Fujian Provincial Department of Science and Technology, affirming our innovations in the industry. As of December 31, 2012, our research and development team includes 82 employees and focuses on new products as well as developing energy and resource efficient production methods.

Strategic Location within the PRC

We are located in Jinjiang and Gaoan. The Jinjiang region is an established ceramic and construction material hub in the PRC, and the Gaoan region is a developing ceramic production area supported by the local government. Both of these areas are located near the raw materials required to produce ceramic tiles. As distributors and direct customers come to these areas to procure construction materials for sale, construction projects or export, these locations provide us a regular flow of customers and demand. These centralized industry locations allow us to respond quickly to customer demands and react rapidly to emerging market trends. The proximity and ease of access to major ports and transportation infrastructure in both of these regions enables us to decrease transportation and logistics costs.

Our Growth Strategy

We intend to further strengthen our position as a leading manufacturer of ceramic tiles in China by implementing the following strategies:

Production Capacity

Our manufacturing facilities operated as Jinjiang Hengda Ceramics Co., Ltd. are located in Jinjiang, Fujian Province, and our manufacturing facilities operated as Jiangxi Hengdali Ceramic Materials Co., Ltd. are located in Gaoan, Jiangxi Province. Combined, these facilities currently provide an aggregate annual maximum production capacity of approximately 72 million square meters. However, due to current economic conditions, we are currently utilizing production facilities capable of producing 46 million square meters. We currently have fourteen production lines (twelve of which were utilized in 2012), with each production line optimized to manufacture specific size ranges to maximize efficiency and output. We intend to bring additional production facilities online as market conditions improve.

Broadening Our Distribution Network

We sell our products mainly to distributors located in major Tier-I cities such as Shanghai and Beijing and Tier-II cities such as Tianjin, Wuhan, Chengdu and Shenyang. We plan to establish and/or increase our presence in Tier-II and Tier-III cities in provinces such as Zhejiang, Anhui, Heilongjiang, Guizhou, Henan, Hebei, Shandong, Shanxi, Shangxi, and Yunnan.

We believe that our new Hengdali production facility in Gaoan will better position us to expand into new markets and reach additional end customers as transportation and logistical costs of delivering products to these areas will be reduced.

Evaluating Opportunities to Increase Exports

Currently, we export approximately 7% of our products through PRC trading companies. We intend to increase the exported volume of our products with additional PRC trading companies and by promoting our products in regional and international trade shows with a focus on direct selling efforts to property developers in the PRC.

Pursuing Selective Acquisition Opportunities

We will explore business combinations that broaden our product line, expand our customer base and allow us to penetrate new geographic regions. Our management believes that it has sufficient expertise to find and acquire suitable ceramic production facilities and/or companies to increase our scale and geographic diversification within the PRC. Our management intends to only pursue acquisitions where it believes that we will be able to continue to provide cost competitive, high quality ceramic tiles to our customers.

Further Enhancing Our Brand Awareness

We plan to enhance awareness of the “Hengda” or “HD,” “HDL” or “Hengdeli,” “TOERTO” and “WULIQIAO” brands in the PRC exterior ceramic tile industry. Hengda produces our “Hengda” or “HD” brands, which are marketed toward the high-end market. Hengdali produces our “HDL” or “Hengdeli” brands, which are marketed to the mid-level market, “TOERTO” brand, which is a specialized brand for our large-sized rustic tiles and “WULIQIAO” brand, which is a specialized brand for oriental pattern large-sized rustic tiles. WULIQIAO is a trademark owned by Fujian Province Jinjiang City Hengda Construction Materials Co., Ltd. Hengda signed a Trademark Licensing Contract with Fujian Province Jinjiang City Hengda Construction Materials Co., Ltd. and has been licensed the exclusive right to use WULIQIAO during the terms of that trademark. Our branding strategy is to reach a larger customer base with a wide spectrum of product offerings. We plan on strengthening our brands by marketing our products to property developers and the construction industry, partnering with local distributors, attending national fairs and promoting our products through inclusion in strategic high-profile projects.

Developing Advanced Products That Meet Evolving Building Construction Requirements

We strive to develop new products that address market demand for advanced building materials that meet or exceed evolving government policies for energy efficiency. Our research and development efforts are focused on developing tiles which:

- Reduce raw materials and energy consumption in the production process;
- Have a density less than half of other tiles;
- Reduce load bearing stress on exterior walls of buildings and tile shedding;
- Recycle our by-products and limit waste output in our production process;
- Utilize a honeycomb structure which optimizes insulation performance for new products, such as our light-weight product lines;
- Have higher standards for water resistance; and
- Are easier to attach to exterior walls.

We will continue to invest in research and development to maintain our competitive position in the industry.

Production Process and Facilities

A typical production line for ceramic tiles is comprised of preparation equipment (which typically includes a miller and a spray dryer), a press (which is used for shaping raw ceramic material), a glazing line (used to supply glazed materials to the pressed tiles), a kiln (used to harden the soft mixture of clay and minerals into a hard ceramic body by subjecting the mixture to high temperature) and packaging.

The following chart sets out the major steps involved in the production process:



The procedures involved in the production of ceramic tiles are summarized below:

(i) Inspecting

Raw materials for ceramic products consist mainly of clay (comprised of inorganic materials such as kaolin, flint and feldspar) obtained mostly from areas adjacent to our facilities, such as Dehua county of Quanzhou city and the Fujian province. Raw materials are inspected by quality control staff upon receipt. Batch calculations that take into consideration both physical properties and chemical compositions of the raw materials are performed to ensure that the right amounts are mixed.

(ii) Mixing and Grinding

After stringent checks on the quality of the clay and weighing, the raw material department mixes the clay as determined during inspection. The mixture is then sent to a ball mill where water is added to form a slurry for finer grinding. This process takes approximately 12 hours to complete. The slurry is then filtered and metallic particles are removed magnetically. The slurry is inspected at this stage for density, flow speed and water ratio. Compared with many competitors who use stone ball millers, we use aluminum ball millers to grind materials. Aluminum ball millers have a higher initial cost, but have higher grinding speed and can better process stone chips existing in the slurry. The slurry is then moved to a large slurry pool. Based on the production schedule, portions of the slurry may be moved to smaller slurry pools where coloring materials can be added. The mixture in smaller slurry pools are churned for approximately 24 hours to keep quality and color consistent in the end product.

(iii) Spray Drying

A spray dryer is then used to remove most of the water content in the slurry to obtain granules with the required moisture level for processing. The slurry is pumped into an atomizer, consisting of a rapidly rotating disk or nozzle where droplets are formed. The droplets of the slurry spray are then dried by a rising hot air column, forming small free-flowing granules of a standard size and specific moisture content which is used in the next stage. The stream of gases used to dry the slurry can be at temperatures as high as 1,100°C. The granules are then moved to and held in steel containers called hoppers for over 24 hours to ensure consistency and uniformity of granule size and color.

(iv) Molding

The granules flow from a hopper into the mold die where they are compressed by steel plungers and then ejected by the bottom plunger in varying sizes based on specifications. The automated presses used operate at pressures as high as 1,600 tons per square meter. The ceramic bisque, a shaped non-fired ceramic tile, is then passed through to the dryer to remove most of the remaining water content present in preparation for the firing and/or glazing stages. The tiles are fed into the dryer and conveyed horizontally on rollers, at temperatures of 250°C for approximately 15 to 25 minutes based on tile type.

(v) Glazing

Glazing involves applying one or more coats of glaze, comprised mainly of silica and other coloring agents such as iron, chromium, cobalt or manganese, onto the tile surface. The dried ceramic bisque is then sent to the glazing station where a design and/or color is added. The glaze concentration and glazing quantity is controlled by computers to avoid chromatic aberration and lack of uniformity. Not all products, such as porcelain tiles, require glazing.

(vi) Firing

After molding and/or glazing, the ceramic bisque is fired in a kiln. Typically, the temperature in a kiln is about 1,200°C and the firing process takes less than one hour. The entire firing process is monitored and controlled by computers. We currently have twelve firing lines, nine located in the Hengda facility and three located at the Hengdali facility.

(vii) Packaging

After the firing process, tiles are inspected for quality. Tiles which pass inspection are packaged and moved to the storage facility.

Quality Control & Assurance

The quality of our products is critical to our continued growth and success. In July 2002, our Hengda facility received ISO 9001:2000 accreditation, an international certification certificate, acknowledging our quality control process. Quality control procedures begin at the receipt of raw materials and continue throughout the manufacturing process ending with a final quality check prior to packaging. Our employees are required to undergo internal training regarding our quality control policies, targets and procedures, as well as production and processing techniques. As of December 31, 2012, our quality assurance team consisted of 94 members.

Notable Awards & Certificates

We have received numerous awards and certificates for our branding, product quality and R&D achievements. Select awards include:

Year Initially Received	Award & Certificate Name	Issuer
2002	ISO 9001:2000 Quality Management System Certificate	China Certification Center for Quality Mark
2005	ISO 14001:2004 Environmental Management Standards Certificate	Fujian Branch of Beijing World Standards Certification Centre
2005	Fujian Well-known Trademark	Fujian Well-known Trademark Award Commission
2005	Chinese Well-known Trademark	Intermediate People's Court of Xiangtan City
2006	Inspection Exempted Products Certificate	National Bureau of Quality and Technical Supervision
2007	High-tech Enterprise Certificate	Fujian Provincial Department of Science and Technology
2008	Energy Conservation Advanced Enterprise	Jinjiang City Government
2009	Fujian 100 Important Industrial Enterprise	Fujian Economic and Trading Commission
2010	Asia's 500 Most Influential Brands 2010	World Brand Laboratory
2010	Fujian's Top 300 Enterprises	Fujian Enterprise Evaluation Center and Fujian Enterprise Evaluation Association
2011	China's 500 Most Valuable Brands	World Brand Laboratory
2011	Top 100 Fastest Growing Enterprises for China Building Material	China Building Materials Enterprise Management Association
2011	Top 500 Enterprise in China Building Material	China Building Materials Enterprise Management Association
2011	Customer Preferred Top 10 Brand	China International Nameplate Development Association
2012	Asia's 500 Most Influential Brands 2012	World Brand Laboratory

Customers, Sales & Marketing

We primarily sell our products through an exclusive distributor network or directly to property developers. Distributors are located in major cities such as Shanghai, Beijing, and Shenyang and second and third tier cities such as Chengdu, Haikou, Hefei, Tianjin, Wuhan and other rural areas in the PRC. We have long-term relationships with many of our customers; our top ten customers in 2012 have been purchasing from us for over ten years. We pay rebates to our distributors on the cash collected for us. The general rebates are calculated at a progressive rate of sales, with the average rebate rate for 2012 being approximately 4.6%.

The following table sets forth revenues by geographic market and the related percentage for the years ended 2010, 2011 and 2012:

Geographic Market	2010		2011		2012	
	RMB'000	Percentage	RMB'000	Percentage	RMB'000	Percentage
PRC	994,843	93.1%	1,383,619	92.8%	1,350,517	93.5%
Japan	9,088	0.9%	13,423	0.9%	10,850	0.8%
Burma	7,850	0.7%	11,176	0.7%	8,453	0.6%
India	7,253	0.7%	10,751	0.7%	9,463	0.7%
Korea	6,670	0.6%	10,280	0.7%	8,201	0.6%
Thailand	6,501	0.6%	10,041	0.7%	8,958	0.6%
Hong Kong	6,346	0.6%	9,917	0.7%	8,706	0.6%
Spain	5,093	0.5%	7,029	0.5%	6,561	0.5%
Turkey	5,086	0.5%	7,037	0.5%	5,678	0.4%
South Africa	4,843	0.5%	6,862	0.5%	6,687	0.5%
Sierra Leone	3,759	0.4%	5,008	0.3%	5,173	0.4%
Ghana	3,707	0.3%	4,876	0.3%	5,299	0.4%
Russia	2,934	0.3%	4,198	0.3%	3,154	0.2%
Morocco	2,536	0.2%	4,099	0.3%	4,037	0.3%
Great Britain	2,042	0.2%	3,258	0.2%	3,154	0.2%
Total	<u>1,068,551</u>	<u>100%</u>	<u>1,491,574</u>	<u>100%</u>	<u>1,44,891</u>	<u>100%</u>

Our major customers that accounted for 2.0% or more of our total revenue for the last three years, and none of these customers individually accounted for more than 10% of our total revenue for the year ended December 31, 2012.

The following table sets forth revenue for our major customers and the related percentage of our total revenue for the years ended 2010, 2011, and 2012. (1)

Customer Name	2010		2011		2012	
	RMB'000	Percentage	RMB'000	Percentage	RMB'000	Percentage
Foshan City Jundian Ceramics Co., Ltd.	45,103	4.01%	49,063	3.14%	139,184	9.63%
Xiamen Tongying Trading Co., Ltd.	44,548	3.96%	46,379	2.96%	34,596	2.39%
Beijing Zhihe Construction Industry Trading Co., Ltd.	38,111	3.39%	43,405	2.77%	31,838	2.20%
Fuzhou Chuanpin Materials Co., Ltd.	-	-	29,270	1.87%	30,779	2.13%
Jingdezhen Nanxing Materials Co., Ltd.	27,434	2.44%	38,744	2.48%	29,957	2.07%
Liuzhou City Shengquanda Trading Co., Ltd.	33,487	2.98%	40,642	2.60%	28,994	2.01%
Jiangxi Zhongshi Industry Co., Ltd.	30,374	2.70%	40,412	2.58%	28,599	1.98%
Chengdu City Dehui Construction Materials Co., Ltd.	37,372	3.32%	36,985	2.36%	28,257	1.96%
Shangrao New Fangyuan Materials Co., Ltd.	23,222	2.07%	32,564	2.08%	27,941	1.93%
Chaozhou Chenqiao Jianxing Construction Materials Co., Ltd.	31,250	2.78%	38,348	2.45%	27,392	1.90%

(1) The revenue generated was gross revenue, excluding rebates and discounts.

Our business and profitability is not materially dependent on any industrial, commercial or financial contract with any of our customers. None of our directors or executive officers or their respective affiliates has any interest, direct or indirect, in any of our customers.

Sales and Marketing

The sales and marketing department is responsible for formulating sales policies and pricing based on market analysis, surveys and forecasts, developing and implementing our sales and marketing campaigns, and promoting our products and brand. Additionally, our sales department is responsible for cultivating new customers and business relationships, as well as servicing existing accounts.

We participate in a variety of sales and marketing activities including trade shows, in-house sales and marketing seminars, factory tours, outdoor advertising, B2B catalogs and customer calls. We believe that these techniques allow us to gather and better understand customers' needs and requirements and to obtain feedback on our products and services and intend to continue utilizing these techniques.

In the future, we intend to participate in international trade fairs and seminars from time to time to promote our brand and products, and to establish a network with industry professionals outside the PRC. To augment our plan to expand our markets internationally, our products will also be advertised on and available to purchase on the Internet. As of December 31, 2012, our Sales and Marketing Department had 47 employees.

Backlog

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. If a customer makes any changes to an order after we have used any raw materials in fulfilling the order, the customer bears the losses. Once we have delivered the products to the customer and the customer has examined and accepted the products, we provide no quality guarantees. We confirm amounts payable with each customer on a monthly basis. The products typically must be delivered to customers within 90 days of receipt of the sales order, and the customers typically must pay for the products within 90 days of delivery.

As of December 31, 2012, our backlog was RMB 141.9 million (\$22.8 million) which represents approximately the next three months of revenue at the time, compared to a backlog of approximately RMB 372.3 million (\$59.1 million) on December 31, 2011.

Major Suppliers & Raw Materials

Our major suppliers will usually deliver raw materials within 1-2 months after they have received our purchase order. The typical credit terms from our major suppliers of clay is from 3 to 4 months and for coal is from 1 to 2 months after the raw materials have been delivered.

Clay and coal are the two main raw materials required to manufacture ceramic tiles. We purchase these raw materials from at least two independent suppliers respectively. Other major sourced materials include coloring and packaging. We are not dependent on any one of our PRC based suppliers as we are able to source raw materials from alternative vendors should the need arise.

Our suppliers are selected by our purchasing department and are assessed on criteria such as the quality of materials supplied, duration of their business relationship with us, pricing, delivery reliability and response time to orders placed by us. We have sufficient raw materials on hand to support, on average, three weeks of production at any point in time to minimize any potential production delays that could arise due to a delay in raw material delivery.

We have not experienced significant production disruptions due to a supply shortage from our suppliers, nor have we had a major dispute with a supplier.

Our major suppliers that accounted for more than 2.0% of our total purchases in fiscal years 2010, 2011 and 2012 are: Foshan City Nanhai Zhongtai Glaze Production Plant, Foshan City Sanshui Golden Eagle Inorganic Materials Co., Ltd., Fengxin Huafeng Ceramic Co., Ltd., Yongchun Junjie Mining Co., Ltd., Jiangxi Province Jing'an Yuntong Cargo Services Co., Ltd., Foshan City Henglixin Diamond Products Co., Ltd., Quanzhou Like Ceramic Materials Co., Ltd., Foshan City Sanshui Baoligao Inorganic Materials Co., Ltd., Fujian Nanping Minning Mining Exploitation Co., Ltd. and Foshan Wandao Glaze Industrial Co., Ltd. No major supplier individually accounted for more than 10% of our total raw material purchases in 2012. Our business or profitability is not materially dependent on any industrial, commercial or financial contract with any of our suppliers.

The following chart lists our major suppliers and the % of total purchases in fiscal years 2010, 2011, and 2012:

Supplier Name	Type	2010		2011		2012	
		RMB'000	Percentage	RMB'000	Percentage	RMB'000	Percentage
Foshan City Nanhai Zhongtai Glaze Production Plant	Color	32,418	4.6%	48,969	4.79%	52,668	5.29%
Foshan City Sanshui Golden Eagle Inorganic Materials Co., Ltd.	Color	27,229	3.9%	43,611	4.27%	46,867	4.70%
Fengxin Huafeng Ceramic Co., Ltd.	Clay	-	-	55,885	5.47%	43,436	4.36%
Yongchun Junjie Mining Co., Ltd.	Coal	-	-	42,424	4.15%	42,362	4.25%
Jiangxi Province Jing'an Yuntong Cargo Services Co., Ltd.	Coal	58,140	8.3%	39,951	3.91%	41,749	4.19%
Foshan City Henglixin Diamond Products Co., Ltd.	Clay	27,194	3.9%	43,061	4.21%	41,033	4.12%
Quanzhou Like Ceramic Materials Co., Ltd.	Color	-	-	-	-	38,382	3.85%
Foshan City Sanshui Baoligao Inorganic Materials Co., Ltd.	Color	23,012	3.4%	33,906	3.32%	37,913	3.80%
Fujian Nanping Minning Mining Exploitation Co., Ltd.	Clay	13,083	1.9%	47,625	4.66%	37,508	3.76%
Foshan Wandao Glaze Industrial Co., Ltd.	Color	21,322	3.1%	33,366	3.27%	36,433	3.66%

None of our officers or directors or their respective affiliates has any interest, direct or indirect, in any of the above major suppliers. There are no arrangements or understanding with any suppliers pursuant to which any of our directors and executive officers were appointed.

Research and Development

We have devoted substantial resources to establishing research and development capabilities in an effort to improve our products and diversify our product mix. Our research and development team focuses on new products as well as developing energy and resource efficient production methods.

We focus our research and development efforts on the following:

- Expanding and improving production capacity;
- Improving and developing new production and processing techniques;
- Improving the use and selection of raw materials to lower costs; and
- Developing new products and designs to address changing market demands.

Our research and development efforts resulted in the recent launch of the polished glazed tiles. Our research and development expenses were approximately RMB 16.4 million (\$2.5 million), RMB 18.2 million (\$2.9 million) and RMB 18.6 million (\$3.0 million) for fiscal years 2010, 2011, and 2012. From time to time, we may enter into collaboration with other research institutes to develop new products or improve our production process. As of December 31, 2012, our R&D department had 82 employees.

Competition

We face intense competition from our existing competitors and new market entrants. Our primary competitors are usually privately owned companies that are located mainly in the PRC. Our principal competitors are Guangdong White Rabbit Ceramics, Foshan Shiwan Yulong Ceramics Co., Ltd Jinjiang Haoyuan Ceramics, Co., Ltd, Jinjiang Wanli Ceramics Co., Ltd, Jinjiang Tengda Ceramics Co., Ltd and Jinjiang Haoshan Construction Materials Co., Ltd. We compete primarily based on product quality, brand recognition, and an extensive distributor network.

As conditions in the real estate market have weakened, certain of our competitors have begun reducing prices for their products, causing us to do the same in order to maintain market share commencing in the fourth quarter of 2012.

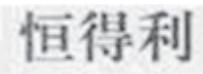
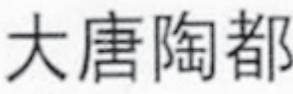
Intellectual Property

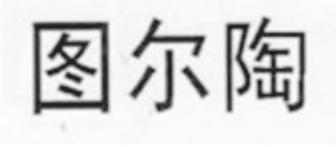
We protect our intellectual property primarily through a mix of patent and trademark registrations.

Registered Trademarks

Our brand name distinguishes our products and promotes consumer awareness of our products.

We have registered the following trademarks in the PRC:

Trademark	Class/Products	Validity Term	Registration No.
	19/ Red floor tile and ceramic tile	From December 14, 2003 to December 13, 2013	669884
	19/ Tile, ceramic tile and wave pattern tile	From February 21, 2012 to February 20, 2022	1716827
	19/ Tile; non-metallic tile; ceramic tile; non-metallic wall tile for constructional use; wave pattern tile; glass mosaic; non-metallic floor tile	From March 28, 2009 to March 27, 2019	4971248
	19/ Tile; ceramic tile; wave pattern tile; non-metallic tile for constructional use; marble; manual stone; terrazzo; glass mosaic	From September 14, 2006 to September 13, 2016	3893819
	19/ Tile; non-metallic tile; ceramic tile; glass mosaic; non-metallic tile for constructional use; non-metallic construction material; marble; granite; manual stone.	From October 21, 2010 to October 20, 2020	7543650
	19/ Tile; non-metallic tile; non-metallic tile for constructional use; non-metallic wall tile for constructional use; non-metallic floor tile; non-metallic ground tile; glass mosaic; plaster; cement; concrete building unit.	From May 14, 2011 to May 13, 2021	8289754

Trademark	Class/Products	Validity Term	Registration No.
	19/ Tile; non-metallic tile; non-metallic tile for constructional use; non-metallic wall tile for constructional use; non-metallic floor tile; non-metallic ground tile; glass mosaic; plaster; cement; concrete building unit.	From May 14, 2011 to May 13, 2021	8289921
	19/ Tile, ceramic tile, asbestos cement tile, glass mosaic, non-metallic tile, non-metallic tile for constructional use, fireclay, firebrick, tile, ceramic kiln furniture.	From April 13, 2011 to January 27, 2020	1357830

Before April 13, 2011, WULIQIAO was a trademark owned by Fujian Province Jinjiang City Hengda Construction Materials Co., Ltd. for Class 19 (Products: tile, ceramic tile, asbestos cement tile, glass mosaic, non-metallic tile, non-metallic tile for constructional use, fireclay, firebrick, tile, ceramic kiln furniture). Hengda signed a Trademark Licensing Contract with Fujian Province Jinjiang City Hengda Construction Materials Co., Ltd. and was licensed the exclusive right to use WULIQIAO during the terms of that trademark, which expires on January 27, 2020. Since April 13, 2011, WULIQIAO has been transferred to Hengdali, according to Certificate of Approved Transference of Trademark issued on April 13, 2011 by Trademark Office of the State Administration for Industry & Commerce of the P.R. China.

Patents

We currently own eight utility model patents in the PRC for exterior wall tiles, which were applied for in November of 2007. A “utility model patent” is a new technical solution relating to the shape, the structure, or their combination, of a product, which is fit for practical use. Utility model patents have a ten year term from the application date.

Except as disclosed above, as of December 31, 2012, our business or profitability is not materially dependent on any other trademarks, copyrights, registered designs, patents, grant of licenses from third parties, new manufacturing processes or other intellectual property rights.

Environmental

We are subject to various environmental regulations with respect to noise and air pollution and discharge of hazardous materials. We are also subject to periodic inspection. We have obtained a Temporary Pollution Discharge Permit for our Hengda production facility, which is subject to annual renewal, and we are currently in the process of applying for a Pollution Discharge Permit for our Hengdali production facility. We are not subject to any pending actions of alleged violations of applicable PRC environmental laws.

Legal Proceedings

There are currently no material lawsuits currently pending against China Ceramics, Hengda, Hengdali, Success Winner or Stand Best.

Seasonality

The second and third calendar quarters have been the peak season of the property developing industry, and, therefore, our quarterly sales are usually highest from May to September compared to the rest of the year. We have lower sales between the months of January and March due to the effects of cold weather and the PRC Spring Festival.

The seasonality information above is based on our turnover trend in the last three years and may vary slightly from year to year depending on the demand by our customers and end customers for our products. However, management believes that the seasonality information for the last three years is representative of the seasonality trend going forward.

Governmental Regulations

Environmental Protection Regulations

In accordance with the PRC Environmental Protection Law adopted on December 26, 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The People's Governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate. A company which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection, adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit. If a company fails to report and/or register the environmental pollution it caused, it will receive a warning or be penalized. Companies that fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalized or have their business licenses terminated. Companies that have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate any losses or damages suffered as a result of such environmental pollution.

Hengda has obtained Temporary Pollutant Discharge Permit (JH(2010)ZZ No. 677) granted by Jinjiang City Environmental Protection Bureau on December 24, 2010. Hengdali is currently in the process of applying for a Pollutant Discharge Permit, and the environmental protection agency in Gaoan has accepted Hengdali's application. If the Pollutant Discharge Permit is not issued and Hengdali discharges pollutants, Hengdali may be warned, ordered to stop discharging pollutants, and/or fined by the environmental protection agency.

Government Regulations Relating to Foreign Exchange Controls

The principal regulation governing foreign exchange in the PRC is the Foreign Currency Administration Rules and a series of implementing rules and regulations, as amended. Under these rules, the Renminbi, the PRC's currency, is freely convertible for trade and service related foreign exchange transactions (such as normal purchases and sales of goods and services from providers in foreign countries), but not for direct investment, loan or investment in securities outside of China unless the prior approval of the State Administration for Foreign Exchange, or SAFE, of the PRC is obtained. Foreign investment enterprises, or FIEs, are required to apply to the SAFE for Foreign Exchange Registration Certificates for FIEs. With such registration certificates, which need to be renewed annually, FIEs are allowed to open foreign currency accounts including a basic account and capital account. Currency translation within the scope of the basic account, such as remittance of foreign currencies for payment of dividends, can be effected without requiring the approval of the SAFE. Such transactions are subject to the consent of PRC banks which are authorized by the SAFE to review basic account currency transactions. However, conversion of currency in the capital account, including capital items such as direct investment, loans and securities, still require approval of the SAFE. On November 21, 2005, the SAFE issued Circular No. 75 on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles. Circular No. 75 confirms that the use of offshore special purpose vehicles as holding companies for PRC investments are permitted, but proper foreign exchange registration applications are required to be reviewed and accepted by the SAFE.

Regulation of Foreign Currency Exchange

Foreign currency exchange in the PRC is governed by a series of regulations, including, without limitation, the Foreign Currency Administrative Rules (1996), as amended, and the Administrative Regulations Regarding Settlement, Sale and Payment of Foreign Exchange (1996), as amended. Under these regulations, the Renminbi is freely convertible for trade and service-related foreign exchange transactions, but not for direct investment, loans or investments in securities outside China without the prior approval of the SAFE. Pursuant to the Administrative Regulations Regarding Settlement, Sale and Payment of Foreign Exchange, foreign-invested enterprises in China may purchase foreign exchange without the approval of the SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also retain foreign exchange, subject to a cap approved by SAFE, to satisfy foreign exchange liabilities or to pay dividends. However, the relevant Chinese government authorities may limit or eliminate the ability of foreign-invested enterprises to purchase and retain foreign currencies in the future. In addition, foreign exchange transactions for direct investment, loan and investment in securities outside China are still subject to limitations and require approvals from the SAFE. On August 29, 2008, SAFE issued Circular No. 142 on Relevant Business Operations Issues Concerning Improving the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, with respect to the administration of conversion of foreign exchange capital contributions of FIEs into Renminbi, unless otherwise permitted by PRC laws or regulations, Renminbi converted from foreign exchange capital contributions can only be applied to activities within the approved business scope of FIEs and cannot be used for domestic equity investment or acquisitions.

Regulation of Dividend Distribution

The principal laws and regulations in China governing distribution of dividends by foreign-invested companies include:

- The Sino-foreign Equity Joint Venture Law (1979), as amended;
- The Regulations for the Implementation of the Sino-foreign Equity Joint Venture Law (1983), as amended;
- The Sino-foreign Cooperative Enterprise Law (1988), as amended;
- The Detailed Rules for the Implementation of the Sino-foreign Cooperative Enterprise Law (1995), as amended;
- The Foreign Investment Enterprise Law (1986), as amended; and
- The Regulations of Implementation of the Foreign Investment Enterprise Law (1990), as amended.

Under these regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds unless such reserve funds have reached 50% of their respective registered capital. These reserves are not distributable as cash dividends.

Insurance

We have not purchased insurance coverage for product liability or third party liability and are therefore not covered or compensated by insurance in respect of losses, damages, claims and liabilities arising from or in connection with product liability or third party liability. In addition, we currently do not maintain business interruption insurance. As a result, our business and prospects could be adversely affected in the event of such problems in our operations and may suffer losses that could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

C. Organizational Structure

The following chart illustrates China Ceramics' organizational structure as of December 31, 2012:



Corporate Structure and Background

Our principal PRC-based operating subsidiary, Hengda, was established on September 30, 1993 under the laws of PRC. All of the equity interests in Hengda are 100% owned by Stand Best as of December 31, 2012. Hengda is a wholly foreign-owned enterprise in China.

Our other PRC-based operating subsidiary, Hengdali, was established on June 27, 2008 under the laws of PRC. All of the equity interests in Hengdali are 100% owned by Hengda as of December 31, 2012.

Stand Best was established on January 17, 2008 under the laws of Hong Kong. Stand Best acquired the entire shareholdings of Hengda on April 1, 2008 for consideration of RMB 58,980,000. As a result of this acquisition, Hengda became the wholly owned subsidiary of Stand Best.

Success Winner was established on May 29, 2009 under the laws of British Virgin Islands with Mr. Wong Kung Tok as its sole shareholder and sole director.

On June 30, 2009, pursuant to the capitalization agreement dated June 30, 2009, Success Winner was issued the 9,999 shares allotted by Stand Best as per the capitalization exercise of a shareholder's loan of HK\$67.9 million (RMB 58.9 million). On the same date, the shareholder of Stand Best, Mr. Wong Kung Tok transferred all his shareholdings in Stand Best to Success Winner. Therefore, Mr. Wong Kung Tok, from June 30, 2009 to November 20, 2009, indirectly owned 100% of Stand Best and in turn, 100% of Hengda.

CHAC was incorporated in Delaware on June 22, 2007 and was organized as a blank check company for the purpose of acquiring, through a stock exchange, asset acquisition or other similar business combination, or controlling, through contractual arrangements, an operating business that had its principal operations in Asia, with a focus on potential acquisition target in China.

Pursuant to the terms of a merger and stock purchase agreement dated August 19, 2009, on November 20, 2009, CHAC merged with and into China Ceramics, its wholly owned British Virgin Islands subsidiary, and immediately thereafter, as part of the same integrated transaction, China Ceramics acquired all of the outstanding securities of Success Winner.

Prior to China Ceramics' acquisition of Success Winner, neither CHAC nor China Ceramics' had any operations.

On November 19, 2009, Hengda entered into a definitive acquisition agreement to acquire a new production facility in Gaoan, Jiangxi Province, PRC by purchasing 100% of the equity interests in Hengdali. The closing of the acquisition was subject to the Gaoan City Administration for Industry and Commerce transferring the registration and business license of Hengdali from Hengdali's former shareholders to Hengda. The transfer occurred on January 8, 2010. Hengda appointed an executive officer to take control over Hengdali's operating and financing activities on the same day. In total, Hengda assumed loans of RMB 60.0 million and paid cash consideration of RMB 185.5 million for the acquisition, of which RMB 145.4 million was advanced to Hengdali's former shareholders by December 31, 2009.

D. Property, plant and equipment

Together with three other companies, we collectively own six buildings comprised of one office building and five workshops in Jinjiang, Fujian Province. We recorded the related fixed assets in proportion to the amount we paid for our part of the buildings, which represents our interests in the buildings. As co-owners of these six buildings under the relevant Building Ownership Certificate, all co-owners have collective rights and obligations to the jointly-owned property under PRC law, and typically the disposal of such jointly owned property by one owner without the consent of all other owners is prohibited.

We also own a workshop in another location in Jinjiang, and while we have applied for a Building Ownership Certificate for such property we have not yet received it. We have pre-paid all amounts relating to these properties. The land-use rights for these locations expires in 2055 and covers approximately 10,023 square meters. We also own land-use rights at two locations and seven buildings in Gaoan for office buildings, workshops, warehouses, and raw material yards and staff quarters. The land-use rights for these two facilities expire in 2058 and cover an aggregate of approximately 244,324 square meters.

We currently lease 18 properties in Jinjiang, Fujian Province in the PRC for various uses including warehouses, office space, workshops, staff quarters and stock yards. The lease terms range from three to five years.

As of December 31, 2012 our Hengda production facility in Jinjiang City, Fujian Province in the PRC, had a total gross floor area of approximately 140,000 square meters and employed 1,621 production personnel and our Hengdali production facility in Gaoan, Jiangxi Province in the PRC, has a total gross floor area of approximately 244,324 square meters and employed 453 production personnel. The Hengda facility consists of nine production lines with an annual production capacity of 42 million square meters. The Hengdali facility consists of five production lines with an annual production capacity of 30 million square meters of ceramic tiles. Historically, we have not experienced any form of disruption in our production facility.

Combined, these facilities currently provide an aggregate annual maximum production capacity of approximately 72 million square meters. However, due to current economic conditions, we are currently utilizing production facilities capable of producing 46 million square meters. We currently have fourteen production lines (twelve of which were utilized in 2012), with each production line optimized to manufacture specific size ranges to maximize efficiency and output.

The Company expended RMB 19.5 million (\$3 million) for the replacement of old equipment at its Hengda facility in 2012.

We believe that our current property rights are sufficient for our current operations. However, to continue growth, we believe we need to expand our production capacity at our new Hengdali facility in Gaoan, Jiangxi Province and at our existing Hengda facility in Jinjiang, Fujian province.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

We are a British Virgin Islands limited liability company whose predecessor, CHAC, was incorporated in Delaware on June 22, 2007 and was organized as a blank check company for the purpose of acquiring, through a stock exchange, asset acquisition or other similar business combination, or controlling, through contractual arrangements, an operating business that had its principal operations in Asia, with a focus on potential acquisition target in China.

Pursuant to the terms of a merger and stock purchase agreement dated August 19, 2009, on November 20, 2009, CHAC merged with and into China Ceramics, its wholly owned British Virgin Islands subsidiary, and, immediately thereafter, as part of the same integrated transaction, China Ceramics acquired all of the outstanding securities of Success Winner.

China Ceramics, through our operating subsidiaries, is a leading PRC-based manufacturer of ceramic tiles used for exterior siding and for interior flooring and design in residential and commercial buildings. The ceramic tiles, sold under the “HD” or “Hengda”, “HDL” or “Hengdeli”, “TOERTO” and “WULIQIAO” brands are available in over two thousand styles, colors and size combinations. Currently, we have six principal product categories: (i) porcelain tiles, (ii) glazed tiles, (iii) glazed porcelain tiles, (iv) rustic tiles, (v) ultra-thin tiles and (vi) polished glazed tiles. Porcelain tiles are our best-selling products, accounting for over 54.3% of our total revenue in 2012.

Combined, these facilities currently provide an aggregate annual maximum production capacity of approximately 72 million square meters. However, due to current economic conditions, we are currently utilizing production facilities capable of producing 46 million square meters. We currently have fourteen production lines (twelve of which were utilized in 2012), with each production line optimized to manufacture specific size ranges to maximize efficiency and output.

Basis of Presentation

The following discussion and analysis of our financial condition and results of operations is based on the selected financial information as of and for the years ended December 31, 2010, 2011, and 2012 and has been prepared based on the consolidated financial statements of China Ceramics Co., Ltd. and its subsidiaries. The consolidated financial statements of China Ceramics Co., Ltd. and its subsidiaries have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, or "IASB." The consolidated financial statements have been prepared on the historical cost basis.

The business combination on November 20, 2009 has been accounted for as a reverse recapitalization. The acquisition agreement resulted in the former owner of Success Winner obtaining effective operating and financial control of the combined entity. Prior to the acquisition, we had no operating business. Accordingly, the acquisition does not constitute a business combination for accounting purposes and is accounted for as a capital transaction. That is, the transaction is in substance a reverse recapitalization, equivalent to the issuance of equity interests by Success Winner for the net monetary assets of China Ceramics accompanied by a recapitalization. The consolidated financial statements are a continuation of the financial statements of Success Winner. The assets and liabilities of China Ceramics are recognized at their carrying amounts at the date of acquisition with a corresponding credit to the consolidated equity and no goodwill or other intangible assets are recognized. The equity of the combined entity recognized at the date of acquisition represents the equity balances of Success Winner together with the deemed proceeds from the reverse recapitalization determined as described above. However, the equity structure presented in the consolidated financial statements (number and values of equity instruments issued) reflects the equity structure of the legal parent, China Ceramics. Costs directly attributable to the transaction have been debited to equity to the extent of net monetary assets received.

Results of Operations

The following table sets forth our financial results for the years ended December 31, 2010, 2011 and 2012.

RMB('000)	Year Ended December 31,		
	2010	2011	2012
Revenue	1,068,551	1,491,574	1,444,891
Cost of sales	(729,576)	(1,024,336)	(1,063,892)
Gross profit	338,975	467,238	380,999
Other income	3,966	5,422	378
Other expenses	-	(3,178)	(1,943)
Selling and distribution expenses	(7,176)	(11,832)	(11,378)
Administrative expenses	(25,524)	(46,079)	(29,974)
Finance costs	(6,170)	(11,067)	(9,319)
Profit before taxation	304,071	400,504	328,763
Income tax expense	(78,597)	(106,065)	(84,932)
Profit attributable to shareholders	225,474	294,439	243,831

Description of Selected Income Statement Items

Revenue. We generate revenue from the sales of ceramic tiles, including porcelain tiles, glazed porcelain tiles, glazed tiles, rustic tiles, ultra-thin tiles and polished glazed tiles, net of rebates and discounts. For the past three fiscal years, the second and third calendar quarters have been the peak season of the property developing industry, and, therefore, our quarterly sales are usually highest from May to September compared to the rest of the year. In addition, we have observed lower sales between the months of January to March. This is because property developing activities are low due to the effects of cold weather and the PRC Spring Festival. In 2012, the Company attributes its reduced sales volume to the continued challenging business conditions in China's real estate sector, especially in the second half of 2012 resulting from the slowing economic expansion in the sector. Beginning in December 2012, the Company began reducing the selling price of its ceramic tile products to be competitive in the market and to maintain market share. The Company believes that the decrease in the pricing of its ceramic tile products is temporary because it believes that smaller competitors will not be able to survive the economic downturn and resulting downward pricing pressures, and the Company believes that product pricing will revert to normal levels once business conditions improve. The company's utilization of its online productive capacity of its two facilities was 68.3% in the fourth quarter of 2012, a decrease from 86.6% in the third quarter of 2012.

Cost of sales. Cost of sales consists of costs directly attributable to production, including the cost of clay, color materials, glaze materials, coal, salaries for staff engaged in production activity, electricity, depreciation, packing materials, and related expenses.

The most significant factors that directly or indirectly affect our cost of sales are as follows:

- Availability and price of clay;
- Availability and price of coal; and
- Availability and price of dyes.

Clay is a key material for making ceramic tiles, and accounted for approximately 25.8% of our cost of sales in 2012. Fujian and Jiangxi Provinces, where our production facilities are located, are the largest clay production areas in China and clay supply is stable and sufficient for our production and planned production.

Coal is another key material for making ceramic tiles on the natural gas conversion for the firing process. Coal accounted for approximately 19.8% of our cost of sales in the year ended December 31, 2012. We have long-term relationships with our coal suppliers. Prices of coal have experienced fluctuations in the past few years.

Dyes are another key material for making ceramic tiles, and accounted for approximately 19.8% of our cost of sales in the year ended December 31, 2012. A numbers of dyes are used in ceramic tiles, and the prices of different dyes have experienced fluctuations in the past few years.

Other income and other expenses. Other income consists of sales of waste parts such as the exhausted metals, gears and transportation belts from equipment and moldings and foreign exchange gain/loss.

Selling and distribution expenses. Selling and distribution expenses consist of payroll, traveling expenses, transportation and advertising expenses incurred by our selling and distribution team.

Administrative expenses. Administrative expenses consist primarily of employee remuneration, payroll taxes and benefits, general office expenses and depreciation. We expect administrative expenses to continue to increase in absolute amounts. We also incur additional expenses related to costs of compliance with securities laws and other regulations, including audit and legal fees and investor relations expenses.

Finance Costs. Finance costs consist of interest expense on bank loans.

Income taxes. The decrease in PRC taxes paid for the year ended December 31, 2012 was primarily due to the decrease in assessable profits of our subsidiaries in the PRC as a result of business reducing and revenue decline.

According to the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises and as approved by relevant PRC tax authorities, Hengda, a foreign-invested enterprise, was exempt from the PRC corporate income tax for its first two profitable years, which were 2004 and 2005. Thereafter, it was entitled to a 50% reduction in the PRC corporate income tax for the subsequent three years. Pursuant to the PRC Enterprise Income Tax Law and its Implementation Rules effective from January 1, 2008, and the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax and its implementation rules, in the fiscal year of 2008, the applicable tax rate for us was 12.5%, and the effective tax rate became 25% from January 1, 2009. The effective tax rate continued to be 25% in 2012.

Results of Operations

Year ended 2012 compared to the year ended 2011

Revenue. The following table sets forth the breakdown of revenue, by product categories, for fiscal years 2011 and 2012:

Revenue RMB (000)	December 31,			
	2011	Percentage	2012	Percentage
Porcelain	1,019,737	68.36%	784,383	54.29%
Glazed Porcelain	66,004	4.43%	57,359	3.97%
Glazed	112,262	7.53%	97,411	6.74%
Rustic	208,832	14.00%	374,276	25.90%
Ultra-thin	57,081	3.83%	45,794	3.17%
Polished Glazed	27,658	1.85%	85,668	5.93%
Total	1,491,574	100.00%	1,444,891	100.00%

Revenue decreased by RMB 46.7 million (\$0.7 million), or 3.1%, to RMB 1,444.9 million (\$230.7 million) in the year ended December 31, 2012, from RMB 1,491.6 million (\$231.4 million) for the year ended December 31, 2011, which is mainly due to the decrease of sales volume. The year-over-year decrease in revenue was primarily driven by a 11.5% decrease in the sales volume of ceramic tiles to 46.2 million square meters in the year ended December 31, 2012 from 52.2 million square meters in the same period in 2011. While the company implemented price reductions beginning in December 2012, a change in the sales mix, with more sales coming from the higher-priced rustic and polished glazed series of ceramic tiles that are being produced in the Company's Hengdali facility, resulted in a 9.4% increase in the average selling price to RMB 31.3 per square meter in 2012, as compared to RMB 28.6 per square meter in the comparable period of 2011. The increase in average selling prices partially offset the decrease in revenue. The full year decrease in revenue also was mainly driven by the decrease in sales volume in fourth quarter of 2012, where we recorded revenue of RMB 245.3million (US\$40.0 million), down 39.3% from the fourth quarter of 2011. The year-over-year decrease in revenue was primarily driven by a 29.8% decrease in sales volume of ceramic tiles to 8.7 million square meters in the fourth quarter of 2012 from 12.4 million square meters in the fourth quarter of 2011.

Porcelain tiles. Revenue from porcelain tiles decreased 23.1% from RMB 1,019.7 million (\$158.2 million) for the year ended December 31, 2011 to RMB 784.4 million (\$125.3 million) for the same period in 2012. The decrease was primarily due to the marked decrease in the sales volume from customers since the challenging market conditions in China's real estate in 2012. The average selling price decreased by 0.4% to RMB 27.0 (\$4.3) per square meter for the year ended December 31, 2012 from an average selling price of RMB 27.1 (\$4.2) per square meter for the year ended December 31, 2011, the sales volume decreased by 8.5 million square meters to approximately 29.1 million square meters for the year ended December 31, 2012 from 37.6 million square meters for the same period in 2011. The decrease was also due to the 22.6% decrease of the sales volume caused by the shift in sales mix to rustic tiles and polished glazed tiles that are higher priced, and higher profit margin products. The company found the economic climate in China to be softening and decided to introduce these new high margin products in order to maintain a reasonable profit margin. Porcelain tiles for exterior walls are still our most popular product and have the largest market potential of all of our tiles. We expect porcelain tiles to continue to be our key product for the foreseeable future.

Glazed porcelain tiles. Revenue from glazed porcelain tiles decreased 13.0% from approximately RMB 66.0 million (\$10.2 million) for the year ended December 31, 2011 to RMB 57.4 million (\$9.2 million) for the same period in 2012 mainly due to a decrease in sales volume. The sales volume decreased by 0.5 million square meters to approximately 2.1 million square meters for the year ended December 31, 2012 from 2.6 million square meters for the same period in 2011. The product mix for glazed porcelain tiles were 4.0% for the year ended December 2012 compared to 4.4% for the year ended December 2011.

Glazed tiles. Revenue from glazed tiles decreased 13.3% from RMB 112.3 million (\$17.4 million) for the year ended December 31, 2011 to RMB 97.4 million (\$15.6 million) for the same period in 2012 mainly due to the decrease in sales volume. Glazed tiles have a lower selling price than our other products. The product mix for glazed porcelain tiles were 6.7% for the year ended December 2012 compared to 7.5% for the year ended December 2011.

Rustic tiles. Revenue from rustic tiles increased 79.3% from RMB 208.8 million (\$32.4 million) for the year ended December 31, 2011 to RMB 374.3 million (\$59.8 million) for the same period in 2012 which was mainly due to more sales coming from higher priced varieties produced from our new Hengdali facility. The sales of Rustic tiles in Hengdali was RMB 305.9 million (\$48.9 million) in 2012, compared to RMB 125.6 million (\$19.5 million) in 2011. The product mix for rustic tiles increased to 25.9% for the year ended December 31, 2012 from 14.0% for the year ended December 31, 2011. The company has been promoting the rustic tiles since it has been introduced from 2007 and also believes the rustic tile will become a larger portion of our product mix due to its variety of pattern and texture.

Ultra-thin tiles. Revenue from ultra-thin tiles decreased 19.8% from RMB 57.1 million (\$8.9 million) for the year ended December 31, 2011 to RMB 45.8 million (\$7.3 million) for the same period in 2012 mainly due to a decrease in sales volume. The sales volume decreased by 0.4 million square meters to approximately 1.3 million square meters for the year ended December 31, 2012 from 1.7 million square meters for the same period in 2011. Ultra-thin tiles are a new product and were commercialized in June 2008. The product mix is 3.2% for the year ended December 31, 2012 compared to 3.8% for the year ended December 31, 2011.

Polished glazed tile. Revenue from polished glazed tiles increased 210% from RMB 27.7 million (\$4.3 million) for the year ended December 31, 2011 to RMB 85.7 million (\$13.7 million) for the same period in 2012 mainly due to the increase in sales volume. The sales volume increased by 1.0 million square meters to approximately 1.4 million square meters for the year ended December 31, 2012 from 0.4 million square meters for the same period in 2011. We introduced polished glazed tiles in March 2011 and began selling them in the second quarter of 2011. We believe that this new product represents both a functional and cost-effective replacement for actual marble or stone materials used in a decorative fashion inside homes. The polished glazed tiles are larger sized tiles and we believe that demand for this new series will increase in the future.

Cost of sales. The following table sets forth the breakdown of cost of sales, by product segment, for December 31, 2011 and 2012:

Cost of sales RMB ('000)	December 31,			
	2011	Percentage	2012	Percentage
Porcelain	687,152	67.08%	576,279	54.15%
Glazed Porcelain	57,132	5.58%	49,633	4.67%
Glazed	105,428	10.29%	94,641	8.90%
Rustic	127,608	12.46%	255,933	24.06%
Ultra-thin	30,830	3.01%	29,110	2.74%
Polished glazed	16,186	1.58%	58,296	5.48%
Total	1,024,336	100.00%	1,063,892	100.00%

Cost of sales was RMB 1,063.9 million (\$169.9 million) for the year ended December 31, 2012 compared to RMB 1,024.3 million (\$158.9 million) for the same period in 2011, representing an increase of RMB 39.6 million (\$11.0 million), or 3.9%. The increase in cost of sales was primarily due to the increase in the price of raw materials. For example, the price of clay increased from approximately RMB 204.6 (\$32.5) per ton in the year ended December 31, 2011 to approximately RMB 208.3 (\$33.4) per ton in the year ended December 31, 2012, and the price of coal increased from approximately RMB 1,021.5 (\$162.3) per ton in the year ended December 31, 2011 to approximately RMB 1,047.2 (\$150.4) per ton in the year ended December 31, 2012.

Gross profit. The following table sets forth the breakdown of our gross profit and gross profit margin, by product segment, for December 31, 2011 and 2012:

RMB('000)	December 31,			
	2011		2012	
	Gross Profit	Profit Margin	Gross Profit	Profit Margin
Porcelain	332,585	32.61%	208,104	26.53%
Glazed Porcelain	8,872	13.44%	7,726	13.47%
Glazed	6,834	6.09%	2,770	2.84%
Rustic	81,224	38.89%	118,343	31.62%
Ultra-thin	26,251	45.99%	16,684	36.43%
Polished glazed	11,472	41.48%	27,372	31.95%
All products	467,238	31.33%	380,999	26.37%

Our gross profit decreased 18.5% from RMB 467.2 million (\$72.5 million) for the year ended December 31, 2011 to RMB 381.0 million (\$60.8 million) for the same period in 2012. Our gross profit margin decreased 15.7% from 31.3% for the year ended December 31, 2011 to 26.4% for the same period in 2012. The year-over-year decrease in gross profit margin was primarily driven by a decrease in the selling price and an increase in material cost and labor cost. The decrease in gross profit was mainly driven by the decrease in sales volume and price in the fourth quarter. Gross profit margin was 12.0% for the fourth quarter ended December 31, 2012 compared to 34.5% for the same period in 2011.

Administrative expenses. Administrative expenses were RMB 30.0 million (\$4.8 million) for the year ended December 31, 2012, compared to RMB 46.1 million (\$7.1 million) for the same period in 2011, representing a decrease of RMB 16.1 million (\$2.3 million), or 34.9%. The year-over-year decrease in administrative expenses was primarily due to a reduction to RMB 5.7 million (\$0.9 million) of non-cash share-based compensation expenses related to the 2010 Incentive Compensation Plan, which is designed to retain directors and senior management. The comparable non-cash share-based expenses were RMB 17.3 million (\$2.7 million) in the same period in 2011. Furthermore, the year-over-year decrease resulted mainly from decreased training expenses and lawyer expenses of RMB 2.1 million (\$0.3 million) in 2012.

Finance costs. Finance costs decreased 16.2% from RMB 11.1 million (\$1.7 million) for the year ended December 31, 2011 to RMB 9.3 million (\$1.5 million) for the same period in 2012. The year-over-year decrease in finance costs resulted from a decrease in bank loans. The average debt outstanding was RMB 143,519,000 and RMB 116,582,000 during the year ended December 31, 2012 and 2011, respectively.

Profit before taxation. Profit before taxation decreased 17.9% from RMB 400.5 million (\$62.1 million) for the year ended December 31, 2011 to RMB 328.8 million (\$52.5 million) for the same period in 2012. The decrease of the profit before taxation was mainly due to the lower gross profit in 2012.

Income taxes. We incurred an income tax expense of RMB 84.9 million (\$13.6 million) for the year ended December 31, 2012 compared to RMB 106.1 million (\$16.5 million) for the same period in 2011, representing a decrease of RMB 21.2 million (\$2.9 million) or 20.0%, due to lower profit before taxation. Our effective enterprise income tax rate was 25.0% for the years ended December 31, 2012 and 2011.

Profit attributable to shareholders. Profit attributable to shareholders decreased by 17.2% from RMB 294.4 million (\$45.7 million) for the year ended December 31, 2011 to the RMB243.8 million (\$38.9 million) for the same period in 2012. The year-over-year decrease in net profit was primarily driven by lower gross profit.

Year ended 2011 compared to the year ended 2010

Revenue. The following table sets forth the breakdown of revenue, by product segment, for fiscal years 2010 and 2011:

Revenue RMB (000)	December 31,			
	2010	Percentage	2011	Percentage
Porcelain	795,241	74.4%	1,019,737	68.40%
Glazed Porcelain	53,113	5.00%	66,004	4.40%
Glazed	111,981	10.50%	112,262	7.50%
Rustic	69,759	6.50%	208,832	14.00%
Ultra-thin	38,457	3.60%	57,081	3.80%
Polished Glazed	-	-	27,658	1.90%
Total	1,068,551	100.00%	1,491,574	100.00%

Revenue grew by RMB 423.0 million (\$72.2 million), or 39.6%, to RMB 1,491.6 million (\$231.4 million) in the year ended December 31, 2011, from RMB 1,068.6 million (\$159.2 million) for the year ended December 31, 2010, which is mainly due to the increase of sales volume. The sales volume increased by 11.3 million square meters to approximately 52.2 million square meters for the year ended December 31, 2011 from approximately 40.9 million square meters for the same period in 2010. The growth in volume led to the sales increase by RMB 294.3 million (\$50.2 million) in the year ended December 31, 2011 compared with 2010. In addition to the increase of sales volume, the 5% price increase of porcelain tiles since February 2011 also led to the sales increase by RMB 38.8 million (\$6.9 million).

Porcelain tiles. Revenue from porcelain tiles increased 28.2% from RMB 795.2 million (\$118.5 million) for the year ended December 31, 2010 to RMB 1,019.7 million (\$158.2 million) for the same period in 2011. The increase was primarily due to the high demand for porcelain tiles in China and our increased capacity due to the acquisition of Hengdali. The average selling price increased by 3.8% to RMB 27.1 (\$4.2) per square meter for the year ended December 31, 2011 from an average selling price of RMB 26.1 (\$3.9) per square meter for the year ended December 31, 2010, the sales volume increased by 7.1 million square meters to approximately 37.6 million square meters for the year ended December 31, 2011 from 30.5 million square meters for the same period in 2010. As a result, the increased volume led to RMB 185.7 million (\$32.9 million) of the increase, while increased selling price led to RMB 38.8 million (\$6.9 million).

Glazed porcelain tiles. Revenue from glazed porcelain tiles increased 24.3% from approximately RMB 53.1 million (\$7.9 million) for the year ended December 31, 2010 to RMB 66.0 million (\$10.2 million) for the same period in 2011 mainly due to an increase in sales volume. The sales volume increased by 0.6 million square meters to approximately 2.6 million square meters for the year ended December 31, 2011 from 2.0 million square meters for the same period in 2010. Glazed porcelain tiles are a relatively new product (introduced in 2006) and the demand for this product has been strong. The company has increased the sales effort to promote the product in 2011 due to increase in capacity. The product mix for glazed porcelain tiles were 4.4% for the year ended December 2011 compared to 5% for the year ended December 2010.

Glazed tiles. Revenue from glazed tiles increased 0.3% from RMB 112.0 million (\$16.7 million) for the year ended December 31, 2010 to RMB 112.3 million (\$17.4 million) for the same period in 2011 mainly due to the increase in sales volume. Glazed tiles have a lower selling price than our other products.

Rustic tiles. Revenue from rustic tiles increased 198.3% from RMB 70.0 million (\$10.4 million) for the year ended December 31, 2010 to RMB 208.8 million (\$32.4 million) for the same period in 2011 which was mainly due to more sales came from higher priced new rustic series ceramic tiles which had been produced from our new Hengdali facility. The sales of Rustic tiles in Hengdali was RMB 125.6 million (\$19.5 million) in 2011, compared to RMB 8.2 million (\$1.3 million) in 2010. The product mix increased to 14.0% for the year ended December 31, 2011 from 6.5% for the year ended December 31, 2010. The company has been promoting the rustic tiles since it has been introduced from 2007 and also believes the rustic tile will become a larger portion of our product mix due to its variety of pattern and texture.

Ultra-thin tiles. Revenue from ultra-thin tiles increased 48.3% from RMB 38.5 million (\$5.7 million) for the year ended December 31, 2010 to RMB 57.1 million (\$8.9 million) for the same period in 2011 mainly due to the increase in sales volume. The sales volume increased by 0.6 million square meters to approximately 1.7 million square meters for the year ended December 31, 2011 from 1.1 million square meters for the same period in 2010. Ultra-thin tiles are a new product and were commercialized in June 2008. The product mix is 3.8% for the year ended December 31, 2011 compared to 3.6% for the year ended December 31, 2010. As the demand for this type of product is strong, ultra-thin tiles are expected to become a larger portion of our product mix.

Polished glazed tile. Revenue from polished glazed tiles was approximately RMB 27.7 million (\$4.3 million) for the year ended December 31 2011. We introduced polished glazed in March 2011 and began selling them in the second quarter of 2011. We believe that this new product represents both a functional and cost-effective replacement for actual marble or stone materials. The polished glazed tiles are large size tile and we believe the new series will have a demand for the fine decoration required housing in future.

Cost of sales. The following table sets forth the breakdown of cost of sales, by product segment, for December 31, 2010 and 2011:

Cost of sales RMB ('000)	December 31,			
	2010	Percentage	2011	Percentage
Porcelain	525,845	72.07%	687,152	67.08%
Glazed Porcelain	41,324	5.66%	57,132	5.58%
Glazed	97,606	13.38%	105,428	10.29%
Rustic	44,470	6.10%	127,608	12.46%
Ultra-thin	20,331	2.79%	30,830	3.01%
Polished glazed	-	-	16,186	1.58%
Total	729,576	100.00%	1,024,336	100.00%

Cost of sales was RMB 1,024.3 million (\$158.9 million) for the year ended December 31, 2011 compared to RMB 729.6 million (\$108.7 million) for the same period in 2010, representing an increase of RMB 294.7 million (\$50.2 million), or 40.4%. The increase in cost of sales was primarily due to the increased sales volume by 11.3 million square meters and an increase in the price of raw materials related to the growing demand of the company products. For example, the price of clay increased from approximately RMB 185.5 (\$28.1) per ton in the year ended December 31, 2010 to approximately RMB 204.6 (\$32.5) per ton in the year ended December 31, 2011, and the price of coal increased from approximately RMB 980.4 (\$148.6) per ton in the year ended December 31, 2010 to approximately RMB 1,021.5 (\$162.3) per ton in the year ended December 31, 2011.

Gross profit. The following table sets forth the breakdown of our gross profit and gross profit margin, by product segment, for December 31, 2010 and 2011:

RMB('000)	December 31,			
	2010		2011	
	Gross Profit	Profit Margin	Gross Profit	Profit Margin
Porcelain	269,396	33.90%	332,585	32.61%
Glazed Porcelain	11,789	22.20%	8,872	13.44%
Glazed	14,375	12.80%	6,834	6.09%
Rustic	25,289	36.30%	81,224	38.89%
Ultra-thin	18,126	47.10%	26,251	45.99%
Polished glazed	-	-	11,472	41.48%
All products	338,975	31.70%	467,238	31.33%

Our gross profit increased 37.8% from RMB 339.0 million (\$50.5 million) for the year ended December 31, 2010 to RMB 467.2 million (\$72.5 million) for the same period in 2011. Our gross profit margin decreased 1.3% from 31.7% for the year ended December 31, 2010 to 31.3% for the same period in 2011. The year-over-year decrease in gross profit margin was driven by an increase in material cost and labor cost.

Porcelain tiles. Gross profit for porcelain tiles increased 23.5% from RMB 269.4 million (\$40.1 million) for the year ended December 31, 2010 to RMB 332.6 million (\$51.6 million) for the same period in 2011. Our gross profit margin was 32.6% for the year ended December 31, 2011 compared to 33.9% for the same period in 2010. The slight decrease in gross margin was due to the increase in material cost and labor cost. For example, the price of clay increased 10.3% in the year ended December 31, 2011 compared to 2010, and the price of coal increased 15%. Although, Hengda had raised the selling prices by 5% in February 2011.

Glazed porcelain tiles. Gross profit for glazed porcelain tiles decreased 24.6% from approximately RMB 11.8 million (\$1.8 million) for the year ended December 31, 2010 to RMB 8.9 million (\$1.4 million) for the same period in 2011. Our gross profit margin was 13.44% for the year ended December 31, 2011 compared to 22.2% for the same period in 2010. The decrease in gross margin was due to the change in the sales mix and increase in costs resulting from the increase in raw material prices. In addition to price increase of clay and coal mentioned above, the price of glaze increased 7% in 2011 compared to 2010.

Glazed tiles. Gross profit for glazed tiles decreased 52.8% from RMB 14.4 million (\$2.1 million) for the year ended December 31, 2010 to RMB 6.8 million (\$1.1 million) for the same period in 2011. Our gross profit margin was 6.1% for the year ended December 31, 2011 compared to 12.8% for the same period in 2010. The decrease in gross margin was mostly driven by the change in sales mix and increase in costs resulting from the increase in raw material prices.

Rustic tiles. Gross profit for rustic tiles increased 220.9% from RMB 25.3 million (\$3.8 million) for the year ended December 31, 2010 to RMB 81.2 million (\$12.6 million) for the same period in 2011. Our gross profit margin increased 7.2% from 36.3% for the year ended December 31, 2010 to 38.9% for the same period in 2011. The increase in gross margin was due to the higher gross margin of products manufactured and sold by Hengdali. The gross margins of Hengda and Hengdali were 30.0% and 44.3%, respectively, in fiscal year 2011. Rustic tiles were Hengdali's best-selling product during the year ended December 31, 2011, contributing 31.2% of the total revenue. The higher margin in Hengdali was primarily due to higher selling price, and higher automation of equipment, less maintenance cost and expendable supplies as a new factory.

Ultra-thin tiles. Gross profit for ultra-thin increased 45.3% from RMB 18.1 million (\$2.7 million) for the year ended December 31, 2010 to RMB 26.3 million (\$4.1 million) for the year ended December 31, 2011. Ultra-thin tiles were a new product line which began production in June 2008. The year-over-year increase in gross profit was primarily driven by the increase in volume from 1.1 million square meters to 1.7 million square meters for the year ended December 31, 2011 compared with the same period in 2010.

Polished Glazed tiles. Gross profit for polished glazed tiles was RMB 11.4 million (\$1.8 million) for the year ended December 31, 2011 and gross margin was 41.5%, higher than 31.3%, the average gross margin of all products. This is because the Polished Glazed tiles are the new product that can replace the stone or marble materials and are more technological to produce with more specific raw material and colors.

Other income and other expenses. Other income increased 35% from RMB 4.0 million (\$0.6 million) for the year ended December 31, 2010 to RMB 5.4 million (\$0.8 million) for the same period in 2011. Other expenses was RMB 3.2 million (\$0.5 million) for the year ended December 31, 2011. Other income mainly consist of foreign exchange gain/loss, interest income and gains on waste parts sales and disposal of fixed assets. Other expenses represent losses on disposal of fixed assets and business tax for interest income from intercompany loan.

Selling and distribution expenses. Selling and distribution expenses were RMB 11.8 million (\$1.8 million) for the year ended December 31, 2011 compared to RMB 7.2 million (\$1.1 million) for the same period in 2010, representing an increase of RMB 4.6 million (\$0.7 million) or 63.9%. The year-over-year increase in selling expenses was primarily due to increased travel expenses of RMB 1.6 million (\$0.3 million) and advertising expenses of RMB 1.7 million (\$0.3 million) for promotion of our products.

Administrative expenses. Administrative expenses were RMB 46.1 million (\$7.1 million) for the year ended December 31, 2011, compared to RMB 25.5 million (\$3.8 million) for the same period in 2010, representing an increase of RMB 20.6 million (\$3.3 million), or 80.8%. The year-over-year increase in administrative expenses was primarily due to the additional expenses of RMB 17.3 million (\$2.7 million) of non-cash share-based compensation expenses related to the 2010 Incentive Compensation Plan designed to retain directors and senior management. Furthermore, the year-over-year increase resulted from the increased salary expense of RMB 1.4 million (\$0.2 million) and other expenses related to China Ceramics' status as a public company.

Finance costs. Finance costs increased 79.0% from RMB 6.2 million (\$0.9 million) for the year ended December 31, 2010 to RMB 11.1 million (\$1.7 million) for the same period in 2011. The year-over-year increase in finance costs resulted from an increase in bank loans.

Profit before taxation. Profit before taxation increased 31.7% from RMB 304.1 million (\$45.3 million) for the year ended December 31, 2010 to RMB 400.5 million (\$62.1 million) for the same period in 2011. The increase of the profit before taxation was mainly due to the higher gross profit, partially offset by higher operating costs.

Income taxes. We incurred an income tax expense of RMB 106.1 million (\$16.5 million) for the year ended December 31, 2011 compared to RMB 78.6 million (\$11.7 million) for the same period in 2010, representing an increase of RMB 27.5 million (\$4.8 million) or 35.0%, due to higher profit before taxation. Our effective enterprise income tax rate was 25.0% for the years ended December 31, 2011 and 2010.

Profit attributable to shareholders. Profit attributable to shareholders increased by 30.6% from RMB 225.5 million (\$33.6 million) for the year ended December 31, 2010 to the RMB 294.4 million (\$45.7 million) for the same period in 2011. The year-over-year increase in net profit was primarily driven by higher gross profit, partially offset by higher operating costs and income taxes.

Liquidity and Capital Resources

The following table presents a summary of our cash flows and beginning and ending cash balances for the years ended December 31 2010, 2011, and 2012:

RMB('000)	Year Ended December 31,		
	2010	2011	2012
Net cash provided by operating activities	204,241	124,227	191,201
Net cash used in investing activities	(254,088)	(433,339)	(18,871)
Net cash provided by/(used in) financing activities	163,248	88,000	(125,000)
Net cash flow	113,401	(221,112)	47,330
Cash and cash equivalents at beginning of year	150,121	263,495	42,149
Effect of foreign exchange rate differences	(27)	(234)	(31)
Cash and cash equivalents at end of year	263,495	42,149	89,448

We have historically financed our liquidity requirements mainly through operating cash flow, bank loans and issuance of new shares.

Cash flows from operating activities.

Cash flows from operating activities. Our net cash inflow provided by operating activities was RMB 191.2 million (\$30.5 million) for the year ended December 31, 2012, an increase of RMB 67.0 million (\$11.2 million), or 53.5% from RMB 124.2 million (\$19.3 million) net cash provided by operating activities for the same period in 2011. The year-over-year increase was driven by the difference in slowdown and growth of revenue in both 2012 and 2011 respectively. The company recorded a 3.1% decrease of revenues in 2012 and had a significant increase in revenues of 39.6% in 2011. These resulted in slower changes in trade receivables and inventory costs level in 2012 and a significant build up in trade receivable and inventory costs level in 2011. We had a cash inflow of trade receivables of RMB17.3 million (\$2.8 million) and cash outflow of inventory costs was RMB3.1 million (\$0.5 million) in 2012. In 2011, we had a cash outflow for trade receivables of RMB 190.2 million (\$29.5 million) and the cash outflow for inventory costs was RMB 114.6 million (\$17.8 million). The difference shows a small amount of cash inflow driven by the small decrease in revenues in 2012 and a significant cash outflow in both trade receivables and inventory costs driven by the higher growth of revenue in 2011. These also show the company had a better net cash inflow generated from operating activities even though we had a decrease in revenue in 2012 compared to a significant growth in revenue in 2011. Our net cash inflow provided by operating activities for the year ended December 31, 2012 was close to the net cash inflow provided by operating activities for the same period in 2010 of RMB 204.2 million (\$30.4 million).

Our net cash inflow provided by operating activities was RMB 124.2 million (\$19.3 million) for the year ended December 31, 2011, a decrease of RMB 80.0 million (\$11.1 million), or 39.2% from the RMB 204.2 million (\$30.4 million) net cash provided by operating activities for the same period in 2010. The year-over-year decrease was mainly due to the increase in sales rebates, the change in our method of settling sales rebates (as described below) with our distributors, increased income taxes and the increase in inventory purchases. We settled sales rebates from 2010 with our distributors in 2011 with an amount of RMB 55.9 million (\$8.7 million), compared to RMB 44.4 million (\$6.6 million) of 2009 sales rebates settled in the comparable period of 2010, resulting in a decrease in cash flow of approximately RMB 18.1 million (\$2.8 million). Furthermore, the cash from operations was further reduced due to a change in the method of settling rebates with our distributors. We now issue rebates at the time of sale. This change, pursuant to which we deduct the sales rebates directly from the accounts receivable as opposed to collecting the full amount and later remitting the sales rebates, caused a decrease in cash flow of approximately RMB 65.4 million (\$10.1 million) in the year ended December 31, 2011 compared to the same period in 2010. The increase in income tax caused a decrease in cash flow of approximately RMB 20.9 million (\$3.7 million) in the year ended December 31, 2011 compared to the same period in 2010. Since the prices of raw materials have been increasing, we stored raw materials for production in the year ended of 2011, resulting in additional cash outflow of RMB 29.8 million (\$4.7 million) in the year ended December 31, 2011.

Inventory and Accounts Receivable. Our inventory turnover rate decreased from 4.99 times in 2010 to 4.35 times for the year ended December 31, 2011 and decreased to 3.63 times for the year ended December 31, 2012. Based on our historical experience, except for the RMB 4.2 million (\$0.7 million) of inventory that was impaired for the year ended December 31, 2012, we believe that the value of our current inventories is realizable.

The average number of days in which we received payment on our trade receivables was 95 days in 2010 and decreased to 93 days as of December 31, 2011 due to better cash collection in the year ended December 31, 2011. Trade receivables turnover was 117 days as of December 31, 2012 due to the Company having extended the collection period to address funding pressures of some customers in the year ended December 31, 2012. The Company typically gives the existing customers credit terms of approximately 90 days to 150 days. Based on our historical experience and current operation, we believe that all our trade receivables are collectable in full.

Cash flows from investing activities. Our cash flows used in investing activities were primarily payments related to the acquisition/disposal of property, plant and equipment and interest.

Net cash used in investing activities in the year ended December 31, 2012 was RMB 18.8 million (\$3.0 million), compared to RMB 433.3 million (\$67.2 million) of net cash outflow used in investing activities in the same period of 2011. The decrease was primarily due to a decrease in acquisition of property, plant and equipment.

Net cash used in investing activities in the year ended December 31, 2011 was RMB 433.3 million (\$67.2 million), compared to RMB 254.1 million (\$37.8 million) of net cash outflow used in investing activities in the same period of 2010. The increase was primarily due to an increase in acquisition of property, plant and equipment for the construction of the Hengdali facility and for improvements at the Hengda facility, which led to capital expenditures of RMB 441.6 million (\$68.5 million) during the year ended December 31, 2011. Of this amount, approximately RMB 155.3 million (US\$23.9 million) related to the Hengda facility, RMB 220.0 million (US\$34.1 million) related to Phase II of the Hengdali facility and RMB 66.3 million (US\$10.5 million) related to Phase III of the Hengdali facility.

Cash flows from financing activities.

Net cash used in financing activities was RMB 125.0 million (\$19.9 million) due to the repayment of bank borrowings for the year ended December 31, 2012, as compared to RMB 88.0 million (\$13.6 million) cash generated from financing activities for the same period of 2011.

Net cash generated in financing activities was RMB 88.0 million (\$13.6 million) due to the repayment of bank borrowings for the year ended December 31, 2011, as compared to approximately RMB 163.2 million (\$24.5 million) cash generated from financing activities in the same period of 2010, which was primarily attributable to RMB 159.6 million (\$24.0 million) generated from the issuance of new shares in 2010.

The major sources of our liquidity for fiscal year 2010, 2011 and 2012 were cash generated from operations, bank borrowings and issuance of new shares. The cash generated in 2012 was primarily due to the cash generated from operating activities of RMB 191.2 million (\$30.5 million), primarily offset by the cash payment of RMB 19.5 million (\$3.0 million) for the acquisition of property, plant and equipment for the replacement of old equipment at its Hengda facility and repayment of bank borrowing of RMB 125.0 million (\$19.9 million). The cash generated in 2011 was primarily due to the cash generated from operating activities of RMB 124.2 million (\$19.3 million) and obtained from bank borrowing of RMB 88.0 million (\$13.6 million), primarily offset by the cash payment of RMB 441.6 million (\$68.5 million) for the acquisition of property, plant and equipment for the construction and expansion of Hengdali facility and Hengda facility. The cash generated in 2010 was primary due to the cash generated from operating activities of RMB 204.2 million (\$30.4 million) and the net proceeds generated from the sale of shares in our November 2010 public offering, with an amount of RMB 159.6 million (\$24.0 million), primarily offset by the cash payment of RMB 222.2 million (\$33.1 million) for the acquisition of property, plant and equipment for the construction and expansion of Hengdali facility and Hengda facility.

Cash and bank balances were RMB 89.4 million (\$14.4 million) as of December 31, 2012, as compared to RMB 42.1 million (\$6.7 million) at December 31, 2011, and RMB 263.5 million (\$39.9 million) at December 31, 2010.

As of December 31, 2012, our total outstanding bank loans (both short-terms loans and long-term loans) amounted to RMB 60.0 million (\$9.6 million) with interest rates in the range of 7.315% to 7.6475% per annum and maturity dates in the range of September 19, 2013 to August 22, 2014.

Operating lease commitments totaled RMB 29.2 million (\$4.7 million) as of December 31, 2012.

Capital commitments and purchase commitments totaled RMB 1.4 million (\$0.2 million) as of December 31, 2012 and 2011.

In our opinion, our working capital, including our cash, income and cash flows from operations, and short-term borrowings, is sufficient for our present requirements.

However, we may sell additional equity or obtain credit facilities to enhance our liquidity position or to increase our cash reserve for future acquisitions and capital equipment expenditures. The sale of additional equity would result in further dilution to our shareholders. The incurrence in indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot provide assurance that financing will be available in amounts or on terms acceptable to us, if at all.

Inventory Management

Our inventory is comprised of raw materials, work in progress and finished goods. Raw materials were purchased from our suppliers located in Fujian, Guangdong and Jiangxi Provinces and comprised mainly of clay, coal, colorings, and glazing materials.

We have sufficient raw materials to support, on average, three weeks of production at any point in time. This helps to minimize any potential delays in our production process which may arise due to insufficient raw materials. Our production of ceramic tiles is based on customers' orders. In doing so, we minimize storage space and maintain a relatively low inventory level of finished products. The increase in inventory turnover reflected the decrease in sales volume of ceramic tiles, which resulted in slower moving of finished goods at year ended December 31, 2012. Our inventory turnover based on the year-end closing inventory balances for the years ended 2010, 2011, and 2012 are as follows:

	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
Inventories (RMB'000)	177,217	291,781	290,603
Inventory turnover (days)(1)	73	84	101

(1) The average inventory turnover is computed based on the formula: (simple average of the opening and closing inventories balance in a financial year / cost of goods sold) × 365 days.

In December 2012, the Company launched a sales promotion which decreased some of the selling prices of the products, resulting in the carrying value of some of its inventory being higher than their net realizable value. Provision for the declines in the value of inventory as at December 31, 2012 was RMB 4,237,000 and was charged to Cost of Sales. There has been no inventory write-off or allowance for inventory obsolescence for the years ended December 31, 2010 and 2011.

Credit Management

Credit terms to our customers

We typically extend credit terms of approximately 90 to 150 days to our customers. We will grant credit terms based on the reputation, creditworthiness, size of orders, payment records and number of years we have done business with the customer. We do not have a goods return policy. Considering the challenging market conditions in China's real estate, the Company extended the collection period to 150 days to address funding pressures of some customers in the year ended December 31, 2012. As at December 31, 2010, 2011 and 2012, trade receivables were neither past due nor impaired.

Personnel from our sales and marketing department typically conduct visits to new customers to evaluate their credit worthiness before entering into any arrangements with them. In addition, as Hengda was awarded the top 500 brand, we increased the deposit required from new distributors from RMB 0.4 million to RMB 1.0 million.

Our average trade receivables' turnover days in the last three years ended December 31, 2012 were as follows:

	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
Trade receivables (RMB'000)	282,976	473,209	455,885
Trade receivables turnover (days)(1)	95	93	117

- (1) The average trade receivables' turnover is computed based on the formula: (simple average of the opening and closing trade receivables balance in a financial year / revenue) × 365 days.

Credit terms from our suppliers

Our suppliers typically extend credit periods of three to five months for our purchases of clay while our suppliers for the other materials including coloring, glazing and packaging generally extend a credit period of approximately three to six months and coal suppliers generally extend us credit periods of about one month.

Our average trade and bills payables' turnover days in the last three years ended December 31, 2012 were as follows:

	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
Trade payables (RMB'000)	178,382	252,682	115,123
Trade payables turnover (days)(1)	101	94	91

- (1) The average trade payables' turnover is computed based on the formula: (simple average of the opening and closing trade balances in a financial year / purchases of raw materials and outsourcing services) × 365 days.

Trade payables turnover was 91 days as of December 31, 2012 compared with 94 days as of December 31, 2011. The year-over-year decrease in trade payables turnover resulted from the lower balance of trade payables as of December 31, 2012.

In periods where raw material pricing is favorable, we will pay our suppliers in advance. This happened when our trade payables turnover fell from 101 days in 2010 to 94 days in 2011 when the price of coal decreased and we started paying coal suppliers in advance.

Capital Expenditures

Our capital expenditures primarily consist of expenditures on property, plant and equipment.

Capital expenditures on property, plant and equipment was RMB 19.5 million (\$3.0 million) for the year ended December 31, 2012 compared to RMB 441.6 million (\$68.5 million) for the same period in 2011. In the year ended December 31, 2012, we invested RMB 19.5 million (\$3.0 million) to replace the old equipment at its Hengda facility.

Capital expenditures on property, plant and equipment was RMB 441.6 million (\$68.5 million) for the year ended December 31, 2011 compared to RMB 222.2 million (\$33.1 million) for the same period in 2010. In the year ended December 31, 2011, we invested RMB 155.3 million (\$23.9 million) to replace and improve older manufacturing equipment at the Hengda facility, invested RMB 220.0 million (\$34.1 million) to complete Phase II of the Hengdali facility expansion and invested RMB 66.3 million (\$10.5 million) to complete Phase III of the Hengdali facility expansion.

In the year ended December 31, 2010, we invested RMB 100.4 million (\$15.0 million) to replace and improve older manufacturing equipment at the Hengda facility

Contractual Obligations

Our contractual obligations consist mainly of debt obligations, operating lease obligations, capital purchase obligations and other purchase obligations and commitments, and will be paid off with our cash flow from operations. The following table sets forth a breakdown of our contractual obligations as of December 31, 2012:

	Payment Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	<i>(RMB in Thousands)</i>				
Short-term debt obligations(1)	10,532	10,532	-	-	-
Long-term debt obligations(1)	56,193	3,774	52,419	-	-
Operating purchase obligations(2)	29,184	11,560	17,624	-	-
Capital purchase obligations(3)	1,392	1,392	-	-	-
Total	97,301	27,258	70,043	-	-

- (1) Amounts represent principal and interest cash payments over the life of the bank loans, including anticipated interest payments that are not recorded in the financial statements as of December 31, 2012.
- (2) We lease plant buildings, production factories, warehouses and employees' hostel from non-related parties under non-cancellable operating lease arrangements.
- (3) Includes capital purchase obligations represent commitments for the construction or purchase of property, plant and equipment. They were not recorded as liabilities in the financial statements as of December 31, 2012.

The following table sets forth further details regarding our loans outstanding as of December 31, 2012:

Short-term debt obligations:	Amount of loans RMB'000	Interest rates (p.a)
Agricultural Bank of China	10,000	7.4175%
Long-term debt obligations:	Amount of loans RMB'000	Interest rates (p.a)
China Citic Bank(1)	50,000	7.315%-7.6475%

(1) The terms of the long-term debt obligation are due to August 22, 2014.

Research and Development

We have devoted substantial resources to establishing research and development capabilities in an effort to improve our products and diversify our product mix. Our research and development team focuses on new products as well as developing energy and resource efficient production methods.

We focus our research and development efforts on the following:

- Expanding and improving production capacity;
- Improving and developing new production and processing techniques;
- Improving the use and selection of raw materials to lower costs; and
- Developing new products and designs to address changing market demands.

Our research and development efforts resulted in the recent launch of the polished glazed tiles. Our research and development expenses were approximately RMB 16.4 million (\$2.5 million), RMB 18.2 million (\$2.9 million) and RMB 18.6 million (\$3.0 million) for fiscal years 2010, 2011, and 2012. From time to time, we may enter into collaboration with other research institutes to develop new products or improve our production process. As of December 31, 2012, our R&D department had 82 employees.

Backlog

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. If a customer makes any changes to an order after we have used any raw materials in fulfilling the order, the customer bears the losses. Once we have delivered the products to the customer and the customer has examined and accepted the products, we provide no quality guarantees. We confirm amounts payable with each customer on a monthly basis. The products typically must be delivered to customers within 90 days of receipt of the sales order, and the customers typically must pay for the products within 90 days of delivery.

As of December 31, 2012, our backlog was RMB 141.9 million (\$22.8 million) which represents approximately the next three months of revenue at the time, compared to a backlog of approximately RMB 372.3 million (\$59.1 million) on December 31, 2011, a year over year decrease of 61.9%, resulting primarily from decreased demand for our products.

Dividends

The Company announced that it will pay a semi-annual cash dividend of \$0.10 per share. The first two cash dividends will be payable on July 13, 2013 and January 14, 2014, with record dates of June 13, 2013 and December 13, 2013, respectively.

Off-Balance Sheet Arrangements

We do not have any outstanding off-balance arrangements and have not entered into any transactions that are established for the purpose of facilitating off-balance sheet arrangements.

Impact of Inflation

Inflation has not historically been a significant factor impacting our results.

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk arises primarily from bank balances and trade receivables. For trade receivables, the Company adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing only with high credit quality counterparties.

As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial assets presented on the consolidated statements of financial position.

Cash and bank balances

The Company's bank deposits are placed with reputable banks in the PRC, Hong Kong and the United States. The credit exposure of the Company's cash and bank as at December 31, 2012, 2011 and 2010 were RMB 89,448,000, RMB 42,149,000 and RMB 263,495,000, respectively

Trade receivables

The Company's objective is to seek continual growth while minimizing losses incurred due to increased credit risk exposure.

The Company has significant concentration of credit risk as the Company's top three largest trade receivables represent approximately 10%, 8% and 18% of the trade receivable balance as at December 31, 2010, 2011 and 2012, respectively.

The Company's exposure to credit risks is influenced mainly by the individual characteristics of each customer. The Company typically gives the existing customers credit terms of approximately 90 days to 150 days. In deciding whether credit shall be extended, the Company will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the Chief Executive Officer.

The Company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The provision for impairment loss for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

The credit exposure of the Company's trade receivables as at December 31, 2012, 2011 and 2010 were RMB 455,885,000, RMB 473,209,000 and RMB 282,976,000, respectively.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below summarizes the maturity profile of the liabilities based on contractual undiscounted payments:

	Year ended December 31, 2012		
	Less than 1 year	Between 1	Total
	RMB'000	and 2 years	RMB'000
Trade payables	115,123	-	115,123
Accrued liabilities and other payables	51,169	-	51,169
Interest-bearing bank borrowings	10,000	50,000	60,000
Total	176,292	50,000	226,292

The Company intends to ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Company intends to maintain sufficient level of cash and cash equivalents and have available an adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk arises primarily from short-term and long-term bank borrowings. The Company does not have investment in other financial assets. The Company's policy is to maintain all its borrowings on a fixed rate basis.

Bank borrowings subject to fixed interest rates are contractually repriced at intervals of 12 months. The other financial instruments of the Company are not subject to significant interest rate risk.

At December 31, 2012, if average interest rate on the Company's bank borrowings, which bear fixed rates, had been 50 basis point higher/lower, loss before tax for the year ended December 31, 2012 would have been decreased/increased by RMB336,000/RMB336,000 (2011: increased/decreased by approximately RMB 798,000 /RMB 798,000, 2010: increased/decreased by approximately RMB 310,000 /RMB 310,000,).

(iv) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company's operations are primarily conducted in the PRC. All the sales and purchases transactions are denominated in RMB. As such, the operations are not exposed to exchange rate fluctuation.

As at December 31, 2010, 2011 and 2012, all of the Company's monetary assets and monetary liabilities were denominated in RMB except for certain insignificant amount of bank balances and other payables which were denominated in foreign currencies such as US dollar and HK dollar.

In the opinion of the management, the Company does not have any significant currency exposure. Accordingly, the Company has not used any financial instrument to hedge its foreign currency risk as its risk exposure is considered to be minimal.

The management monitors its exposure to currency risk on an on-going basis and endeavors to keep the net exposure at an acceptable parameter.

Critical Accounting Policies and Judgment

Our consolidated financial statements are prepared in accordance with IFRS including related interpretations as issued by IASB, and have been consistently applied throughout the years ended December 31, 2010, 2011, and 2012. The preparation of these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may materially differ from these estimates under different assumptions or conditions.

Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overhead.

Financial instruments

Recognition, initial measurement and recognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at fair value through profit or loss (“FVTPL”)
- Held-to-maturity (“HTM”) investments
- Available-for-sale (“AFS”) financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets are recognized in profit and loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue. After initial recognition, these are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and trade receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received..

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. Transaction costs are expensed as incurred. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Company does not have any financial assets classified as FVTPL.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortized cost using the effective interest method. The Company does not have any financial assets classified as HTM.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company does not have any financial assets classified as AFS.

All AFS financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income for AFS equity investment, all other financial assets except AFS equity investment are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized. Interest calculated using the effective interest method and dividends are recognized in profit or loss within finance income.

Reversals of impairment losses for AFS financial assets are recognized in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognized. For AFS equity investments, impairment reversals are not recognized in profit loss and any subsequent changes in fair value are recognized in other comprehensive income.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. On the date of reversal of impairment, the carrying amount of the financial assets cannot exceed its amortized cost had the impairment not been recognized.

Classification and subsequent measurement of financial liabilities

Financial liabilities

Financial liabilities are classified as FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

- i Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payable and accrued liabilities.

ii Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive loss. The Company does not have any financial liabilities classified as FVTPL.

Leases

Financial leases refers to the situation that the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset.

All other leases are treated as operating leases. Where the Company has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

All the leases of the Company are operating leases for the years ended December 31, 2012, 2011 and 2010.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of rebates and discounts. Provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably, revenue is recognized as follows:

- Sales of goods are recognized upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.
- Interest income is recognized on a time-proportion basis using the effective interest method.

Impairment of non-financial assets

Impairment testing is made on the Company's goodwill at each reporting date. Property, plant and equipment and land use rights are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. The Company has not recognized any impairment to date.

Share-based employee remuneration

The Company operates equity-settled share-based remuneration plans for its employees. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. If the fair value of the goods and services received can't be measured reliably, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to share-based payment reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. The number of forfeitures likely to occur is estimated on grant date and is revised as deemed necessary.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realized, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- a) the Company has the legally enforceable right to set off the recognized amounts; and
- b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company presents deferred tax assets and deferred tax liabilities in net if, and only if,

- a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to release the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Critical Accounting Estimates and Assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 40 years. The carrying amounts of the Company's property, plant and equipment as at December 31, 2012, 2011 and 2010 were RMB 795,983,000, RMB 843,429,000 and RMB 459,161,000, respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Amortization of land use rights

Land use rights are amortized on a straight-line basis over their estimated useful lives. Management estimates the useful lives of land use rights to be 50 years. The carrying amounts of the Company's land use rights as at December 31, 2012, 2011 and 2010 were RMB 30,598,000, RMB 31,267,000 and RMB 31,936,000, respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future amortization charges could be revised.

Income tax

The Company has exposure to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Company's income tax payable as at December 31, 2012, 2011 and 2010 were RMB 869,000, RMB 35,090,000 and RMB 22,576,000, respectively. If our estimates of these taxes are greater or less than actual results, an additional tax benefit or charge will impact our financial results.

Impairment of trade receivables

The Company's management assesses the collectability of trade receivables. This estimate is based on the credit history of the Company's customers and the current market condition. Management assesses the collectability of trade receivables at the balance sheet date and makes the provision, if any. The carrying amounts of the Company's trade receivables as at December 31, 2012, 2011 and 2010 were RMB 455,885,000, RMB 473,209,000 and RMB 282,976,000, respectively. If the financial condition of a customer deteriorates, resulting in an impairment of their ability to make payments, we may be required to make provision for such impairment in our financial statements.

Net realizable value of inventories

Net realizable value of inventories is the management's estimation of future selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of various market factors. The carrying amounts of the Company's inventories as at December 31, 2012, 2011 and 2010 were RMB 290,603,000, RMB 291,781,000 and RMB 177,217,000, respectively. If these estimates or their related assumptions change in the future, we may be required to make provision for such changes in our financial statements.

Impairment of long-lived assets

The Company tests long-lived assets for possible impairment if an event occurs or circumstances change that would more likely than not reduce the fair value of an asset group below its carrying amount. Asset recoverability is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the discounted future cash flows. In calculating the future cash flows certain assumptions are required to be made in respect of highly uncertain matters such as revenue growth rates, gross margin percentages and terminal growth rates.

In 2010 and 2011, management did not identify any impairment indicator for long-lived assets. In 2012, China's real estate market has been under pressure due to speculative activities and government policies that restricted construction. Under such circumstances, the Company received less sales orders from its customers and then decreased its production volume, which led to some production lines not being used at the end of 2012. In addition, the Company decreased its sales price in order to increase sales volume in December 2012, which resulted in reduced gross profit margins. In addition, the Company's stock price suggested that market capitalization was less than the carrying amount of the net assets of the Company. Hence, management deemed these factors as impairment indicators for the long-lived assets. The Company engaged an external appraiser to assess the property, plant, equipment and land use right values as of December 31, 2012. The external appraiser computed the fair value less costs to sell and value in use valuation and issued a valuation report.

For value in use method, the discounted cash flow analysis is based on the Company's projected cash flow from 2013 through 2017. Net revenue was based on existing and new projected contracts, annual revenue volume growth rates between 0%-8.3% and selling price increases between 0%-5.6%. Gross margin rates were estimated between 25.9% - 30.1% in the projection period based on historical averages. At the end of the five year forecast period, a terminal value based on a long term growth rate is used. The key assumptions employed in arriving at the estimates of future cash flows are subjective and include projected EBITDA, net cash flows, discount rates, capital expenditure, working capital requirement and the duration of the discounted cash flow model. The cash flows were discounted using a weighted average cost of capital of 22%, which was management's best estimate based on the Company's capital structure and external industry data. In the assessment of the replacement cost of property, plant, equipment and land use rights, the valuation made reference to comparables sales with appropriate adjustments, and the original or replacement cost depreciated according to economic life, age and land use term. The assumptions and estimates used in the value in use and fair value less cost to sell valuation were derived from a combination of internal and external factors based on historical experience and management's best estimate.

Based on the appraiser's report, there was no impairment of long-lived assets as of December 31, 2012. There was no impairment loss for long-lived assets as of December 2011 and 2010.

Shares-based payment transaction

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. As a result, if factors change and we use different assumptions, our share-based compensation expenses could be materially different in the future.

Critical judgments in applying the entity's accounting policies

Accounting for the Success Winner Acquisition

The Company has accounted for the Success Winner Acquisition as a reverse recapitalization. The management believes the acquisition agreement resulted in the former owner of Success Winner obtaining effective operating and financial control of the combined entity through 1) the owner's majority shareholder interest in the combined entity immediately after the acquisition, 2) his significant representation on the Board of Directors and 3) Success Winner management being named to all the senior executive positions in the combined entity.

Prior to the acquisition, China Ceramics had no operating business. Accordingly, the management believes the acquisition does not constitute a business combination and treats it as a capital transaction for accounting purposes.

Accounting for the equity-settled share-based payment to financial advisors

The management has measured its equity-settled share-based payment to some financial advisors indirectly at the cost of the equity instruments granted as the fair value of the services could not be estimated reliably

The management has determined this equity-settled share-based payment, together with the audit, legal and consulting fees incurred for the Success Winner Acquisition, were all incremental transaction costs directly related to the reverse recapitalization transaction and has charged these costs directly to equity to the extent of net monetary assets received and charged the incremental transaction costs in excess of the net monetary assets received to expense.

Determining the date when the Company obtained control of the Gaoan Facility

The management has regarded January 8, 2010, the date when the registration and business license was officially transferred from the Gaoan Facility's former shareholders to the Company and when an executive officer was appointed by the Company to take over controls over the Facility's operating and financing activities, as the date the Company obtained control of the Gaoan Facility.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and senior management

Our current directors and executive officers are:

Name	Age	Position
Huang Jia Dong	55	Director and Chief Executive Officer
Su Pei Zhi	59	Director and Sales Deputy General Manager
Hen Man Edmund	40	Chief Financial Officer
Ding Wei Dong (1)(2)(3)	73	Director
Paul K. Kelly (2)(3)	73	Director and Non-Executive Chairman
Cheng Yan Davis(1)(2)(3)	71	Director
William L. Stulginsky(1)	62	Director
Su Wei Feng	32	Director and Corporate Secretary

(1) Member of audit committee

(2) Member of compensation committee

(3) Member of nominations committee

Huang Jia Dong founded Hengda in 1993 and has served as our director since November 20, 2009 and Chief Executive Officer since April 4, 2010. Mr. Huang was Chairman of the Board from November 20, 2009 until April 4, 2010. Mr. Huang currently serves as Chairman of Hengda. Mr. Huang was previously involved in the construction material distribution business. Mr. Huang has been appointed as the vice chairman of Fujian Province Ceramic Industry Association since 2006 and the executive director of Jinjiang City Chamber of Import and Export Trade since 2007. Mr. Huang has a diploma in corporate management from Xiamen University. Mr. Huang is a second cousin of Mr. Su Pei Zhi's wife. We have chosen Mr. Huang to serve as director because of his extensive experience in the ceramic tiles industry and his intimate knowledge of our company.

Su Pei Zhi has served as our director since November 20, 2009. Mr. Su joined Hengda in 1993 and served as the sales deputy general manager. He is the head of our sales and marketing team. Under the leadership of Mr. Su, we have established a nationally covered sales network including both distribution customers and property developer customers. Prior to joining Hengda, Mr. Su was in his family ceramic tile business. Mr. Su Pei Zhi is the father of Mr. Su Wei Feng, our director and Secretary, and Mr. Su Pei Zhi's wife is a second cousin of Mr. Huang Jia Dong, our Chief Executive Officer. We have chosen Mr. Su Pei Zhi to serve as director because of his extensive experience in the ceramic tiles industry.

Hen Man Edmund has served as our Chief Financial Officer since November 20, 2009. Mr. Hen joined Hengda in 2008 as the Chief Financial Officer. Mr. Hen is responsible for the corporate finance function and oversees matters relating to compliance and reporting obligation of the company. Prior to joining Hengda, Mr. Hen was a Financial Controller of a switchgear manufacturer in Sichuan PRC and was responsible for the corporate finance function of the company. Prior to that, Mr. Hen was the accountant of Dickson Concepts (International) Ltd., a public listed company in Hong Kong and oversaw the accounting and financial administration of the company. He also worked at a variety of international accountancy firms, including Deloitte Touche Tohmatsu, in assurance and advisory services during the period from 1995 to 2001. Mr. Hen graduated from the University of East Anglia, United Kingdom, with a Bachelor Degree in Science in 1995. He is an associate of the Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Institute of Certified Public Accountants.

Ding Wei Dong has served as our director since November 20, 2009. From 1997 to 2008, Mr. Ding served as the president of China Building Ceramics & Sanitaryware Association (CBCSA), the largest industrial association of the building ceramics and sanitaryware industry in China. Mr. Ding is now the honorary president of CBCSA. From 1991 to 2000, Mr. Ding served as the executive vice president of China Building Material Industry Association, a national organization of the building material industry in China. From 1985 to 1991, Mr. Ding was the chief of Manufacturing and Management Department of Building Material Bureau of China where he was responsible for the quality management of building materials. Mr. Ding graduated from Nanjing University of Science and Technology in 1965 with a Bachelor Degree, and he has the professional title of Senior Engineer of Professor Scale in China. We have chosen Mr. Ding to serve as director because of his expertise in the Chinese ceramics industry.

Paul K. Kelly has been our director since August 18, 2009 and our Non-Executive Chairman since April 4, 2010. He was also Chairman of the Board and Chief Executive Officer of our predecessor, CHAC, from its inception. Since February 1992, Mr. Kelly has been the President and Chief Executive Officer of Knox & Co., an investment banking firm specializing in mergers and acquisitions, corporate restructuring and international financial advisory services for clients in the U.S., Asia, and throughout the world. In 2004, Mr. Kelly formed the Westgate Group, Inc., a strategic advisory firm focusing upon identifying and implementing cross-border business opportunities for clients with an emphasis on Asia and the Pacific Basin, for which he acts as Chairman, CEO, and is the majority shareholder. Mr. Kelly is also the President, Chief Executive Officer and sole shareholder of PH II, Inc., a privately held investment company which has investments in the United States and New Zealand. He has held these positions with PH II since 1988. Mr. Kelly also serves as Chairman and Chief Executive Officer of Knox Enterprises, Inc., successor to THT Inc., a privately held diversified manufacturing company. In 1996, Mr. Kelly founded the Carrington Club, a golf resort and karikari estate and winery in New Zealand for which he is the owner and Edgewater Developers, a real estate development company in New Zealand. From 1985 to 1990 Mr. Kelly served as President and Chief Executive Officer of Peers & Co., an international investment banking firm. From 1984 to 1985 Mr. Kelly was the President and a director of Quadrex Securities Corp. From 1982 to 1984 he was an Executive Vice President and Director of Dean Witter Reynolds, Inc., responsible for all investment banking activities for financial institutions. Mr. Kelly also served as Managing Director and a member of the Management Committee of Merrill Lynch White Weld Capital Markets Group from 1980 to 1982 where he was responsible for all investment banking activities for financial institutions on a worldwide basis, and was also senior banker to Merrill Lynch & Co., the holding company for all Merrill Lynch interests. From 1978 to 1980 Mr. Kelly was Executive Vice President, Director and member of the Executive Committee of Blyth Eastman Dillon, where he was co-head of the Corporate Finance Department. He was responsible for all new business activities for the firm and headed the Financial Institutions Group. Among the other positions held by Mr. Kelly prior to 1978 include his positions from 1968 to 1975 as Vice President of The First Boston Corporation where he established the commercial paper department and was responsible for all corporate finance new business activities, and as a partner, member of the management committee and head of investment banking for Prescott, Ball & Turbin from 1975 to 1978. Mr. Kelly is a member of the Board of Trustees of the University of Pennsylvania, a member of the Business School Advisory Board of the University of Auckland (NZ), and a past member of the New Zealand Business Roundtable. In addition, he is a member of the Director's Advisory Board of the Yale Cancer Center. He is a past director of American Life and Health Insurance Company of New York, The Chicago Sun-Times Corporation, Hydrox Corporation, Ltd. (New Zealand), MCR Corporation, and Porta Systems Corporation (ASE). He graduated from the University of Pennsylvania in 1962 and received an MBA in Finance from the Wharton School in 1964 and an LLD (Hon.) from the University of Auckland (NZ) in 2006. We have chosen Mr. Kelly to serve as a director because of his experience in the US financial industry and he was also the founder of CHAC.

Cheng Yan Davis has been our director since November 20, 2009 and was a board member of our predecessor, CHAC, since its inception. Since September 2010, Ms. Davis has acted as a special advisor to the President of the Teacher's College of Columbia University. From 1993 until September 2010, Ms. Davis served as the Vice Dean of International Programs and Development at the University of Pennsylvania Graduate School of Education (GSE International). GSE International was established by Ms. Davis in 1993, and was the first international programs office among Ivy League graduate schools of education in the U.S. Since 1993, Ms. Davis has served as a Special Advisor to the President of the University of Pennsylvania on internationalization efforts. GSE International has developed many specialized training programs for groups ranging from government officials and university presidents to finance executives and corporate CEOs. Among these programs are training programs for Chief Executive Officers and leading executives in the Chinese securities and mutual fund industries, created in conjunction with the Wharton School. Over the past three years, the Penn-Securities Association of China Program and the Penn-China Mutual Fund CEO Leadership Program have trained over one hundred Chinese executives in the latest theories and practices of the U.S. finance sector. Since 1998, Ms. Davis has worked with Morgan Stanley on the International Conference on Higher Education Management in Shanghai, the establishment of the China Center, which focuses on management training for U.S.-China joint ventures, and the China Pension Program, which works with the state council of China in designing the architecture and training of a senior workforce in comprehensive pension management. Ms. Davis has also worked with CIGNA and Lucent Technologies on various professional education projects since 1997, designing a variety of training and professional development programs. Ms. Davis also serves as an advisor on quality workforce standards for the Shanghai Municipal Government and the Shanghai Foreign Trade Commission. Since 1997, Ms. Davis has been invited to the Shanghai's Mayor's International Advisory Council as a special observer and to offer suggestions on Shanghai human resource development and workforce training. Ms. Davis has also been invited to custom design new programs for China Telecom and China Industrial Commercial Bank. These programs were designed in preparation of China's entry into the World Trade Organization. Ms. Davis initiated former President Jiang Zemin's visit to the University of Pennsylvania in 1997. Ms. Davis is a board member of the New York Film Academy, Senior Advisor to Motorola and Oracle on international government relations, and Advisor Professor to East China Normal University. In addition, she has served as the Senior Observer for the Shanghai International Business Leaders Advisory Council for the past fifteen years. She has received numerous recognitions for her many contributions, including the first-ever PennGSE Alumni Pioneers Award. Ms. Davis has a degree in Russian and English from Shichuan Foreign Language University in China and an Ed D in Education from the Graduate School of Education at the University of Pennsylvania. We have chosen Ms. Davis to serve as director because of her history with the Company, as a founder of CHAC.

William L. Stulginsky has been our director since April 1, 2010. Mr. Stulginsky retired as Partner from PricewaterhouseCoopers LLP in September 2009. He has over thirty six years of public accounting experience and was a partner at PricewaterhouseCoopers and predecessor firms for twenty-four years prior to his retirement. His background includes serving public and private clients in the higher education, healthcare, electric and gas utilities, pharmaceutical and manufacturing industries. He has a Bachelor of Science degree in Accounting from LaSalle University. Mr. Stulginsky is also on the Board of Directors of Fox Chase Cancer Center Foundation in Philadelphia, the Visiting Nurse Association of Greater Philadelphia and Main Line Health, all of which are nonprofit organizations. We have chosen Mr. Stulginsky to serve as director because of his financial sophistication. Mr. Stulginsky was also on the Board of Hayleysville Mutual Insurance Company.

Su Wei Feng has been our director since April 1, 2010. Mr. Su joined us in March 2007. He currently acts as our general legal counsel and Secretary. Prior to working with us, Mr. Su worked as a lawyer at Fujian Minrong Law Firm from 2005 to 2007. He graduated from the School of Law of Xiamen University in 2004. Mr. Su Wei Feng is the son of Mr. Su Pei Zhi, a director of the Company. We have chosen Mr. Feng to serve as director because of his legal background.

Pursuant to the merger and stock purchase agreement dated August 19, 2009, Huang Jia Dong, Sue Pei Zhi, and Ding Wei Dong were nominated as members of our board of directors by the Seller (as defined in the merger and stock purchase agreement), and Paul K. Kelly and Cheng Yan Davis were nominated as members of China Ceramics' board of directors by the Purchaser (as defined in the merger and stock purchase agreement).

There are no family relationships among our directors or officers.

The business address of each party described above is c/o Jinjiang Hengda Ceramics Co., Ltd., Junbing Industrial Zone, Anhai, Jinjiang City, Fujian Province, People's Republic of China.

B. Compensation

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee has at any time been our officer or employee, or our subsidiaries. No interlocking relationship exists between our board of directors or compensation committee and the board of directors or compensation committee of any other company, nor has any interlocking relationship existed in the past.

During the last fiscal year, none of our officers and employees, and none of our former officers participated in deliberations of our Board of Directors concerning executive officer compensation.

Director Compensation

Starting April 1, 2010, our Board of Directors determined to provide its non-employee members annual compensation of \$40,000, and Mr. William L. Stulginsky, as the Chairman of the Audit Committee, received \$45,000. Prior to April 1, 2010, there was no compensation provided to any of our directors.

The following table sets forth all of the compensation paid by us or our significant subsidiaries in 2012 to each of our non-employee directors for such person's service as a director (including contingent or deferred compensation accrued during 2012):

Name and Principal Position	Cash RMB	Value of Options(1) RMB	Total RMB
Ding Wei Dong	254,000	-	254,000
Paul K. Kelly	249,204	-	249,204
Cheng Yan Davis	249,204	-	249,204
William L. Stulginsky	280,355	-	280,355

(1) No options were granted to our directors in 2012.

Executive Officers

The following table sets forth all of the compensation paid by us or our significant subsidiaries in 2012 to each of our officers for such person's service as an officer (including contingent or deferred compensation accrued during 2012 but not including any amounts paid to such persons for their services as directors):

Name and Principal Position	Salary RMB	Bonus RMB	Value of Options(1) RMB	Total RMB
Huang Jia Dong, Chief Executive Office	129,204	-	-	129,204
Su Pei Zhi, Sales Deputy General Manager	136,232	-	-	136,232
Hen Man Edmund, Chief Financial Officer	302,820	-	-	302,820
Su Wei Feng, Corporate Secretary	83,652	-	-	83,652

(1) No options were granted to our executives in 2012.

Retirement Benefits

As of December 31, 2010, China Ceramics has contributed to the government-mandated employee welfare and retirement benefit plan and provided pension, retirement or similar benefits to its employees. The PRC regulations require China Ceramics to pay the local labor administration bureau a monthly contribution at a stated contribution rate based on the monthly basic compensation of qualified employees. The local labor administration bureau, which manages various investment funds, will take care of employee retirement, medical and other fringe benefits. Success Winner has no further commitments beyond its monthly contribution.

China Ceramics does not accrue pension, retirement or similar benefits.

Employment Agreements

Upon consummation of the acquisition of Success Winner, we entered into employment agreements with certain of our executive officers. The following discussion summarizes the material terms of employment agreements entered into between us and our executive officers:

We entered into employment agreements with the following officers: Huang Jia Dong, Chief Executive Officer, Su Pei Zhi, Sales Deputy General Manager, Hen Man Edmund, Chief Financial Officer, and Su Wei Feng, Corporate Secretary.

- The term of the employment agreements is three years (February 1, 2013 to January 31, 2015 for Su Peizhi, Huang Jia Dong and Su Wei Feng and August 1, 2012 to July 31, 2014 for Hen Man Edmund).
- Huang Jia Dong will receive compensation of RMB 10,000 per month; Su Pei Zhi will receive compensation of RMB 12,000 per month from January 1, 2010; Hen Man Edmund will receive compensation of RMB 30,000 per month from January 1, 2010; and Su Wei Feng will receive compensation of RMB 7,000 per month.
- We may dismiss any of the above officers if any of the following events occurs with respect to the officer: (1) failure to show up for work, (2) failure to provide required documents, (3) falsification of documents, criminal record, etc., (4) serious violation of such officers' labor rules and of regulations, (5) serious lapse of duties and responsibilities, (6) activities that violate regulations, resulting in loss of more than RMB 4,000, (7) operation of his own business during the term of his employment, (8) criminal prosecution and labor punishment, (9) request by the officer to resign, (10) causing us to sign or change any contract through fraud, coercion and other fraudulent means, or (11) other situations stipulated by law and statutes.
- Each officer is subject to the non-compete provisions of the agreement for a period of three years following termination of the employment agreement and non-solicitation provisions of the agreement for a period of two years following termination of the employment agreement.

Other Employees

Compensation for our senior executives is comprised of four elements: a base salary, an annual performance bonus, equity and benefits.

In developing salary ranges, potential bonus payouts, equity awards and benefit plans, it is anticipated that our compensation committee takes into account: 1) competitive compensation among comparable companies and for similar positions in the market, 2) relevant ways to incentivize and reward senior management for improving shareholder value while building a successful company, 3) individual performance, 4) how best to retain key executives, 5) the overall performance of us and our various key component entities, 6) our ability to pay and 7) other factors deemed to be relevant at the time.

Our senior management have discussed our above mentioned planned process for executive compensation and the four compensation components. Specific compensation plans for our key executives are negotiated and established by our compensation committee.

None of our officers, directors or employees are entitled to benefits upon termination of employment.

China Ceramics Co., Ltd. 2010 Incentive Compensation Plan

On December 27, 2010, our shareholders approved the 2010 Incentive Plan. The purpose of the 2010 Incentive Plan is to assist us and our subsidiaries in attracting, motivating, retaining and rewarding high-quality executives and other employees, officers, directors, and independent contractors by enabling such persons to acquire or increase a proprietary interest in us in order to strengthen the mutuality of interests between such persons and our shareholders, and providing such persons with annual and long-term performance incentives to expand their maximum efforts in the creation of shareholder value. Awards under the 2010 Incentive Plan will be limited in the aggregate to 1,200,000 shares. The 2010 Incentive Plan shall terminate at such time as no shares remain available for issuance under the 2010 Incentive Plan, when we have no further obligations with respect to outstanding awards under the 2010 Incentive Plan. As of December 31, 2012, 1,130,000 shares underlying grants under the 2010 Incentive Plan have been granted.

Administration. The 2010 Incentive Plan is administered by a committee (the “Committee”) designated by our board of directors (the “Board”), which shall consist of at least two directors, each of whom is (i) a “non-employee director” within the meaning of Rule 16b-3 promulgated under the Exchange Act and (ii) an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto (the “Code”); provided, however, that except as otherwise expressly provided in the 2010 Incentive Plan or in order to comply with Code Section 162(m) or Rule 13b-3 under the Exchange Act, the Board may exercise any power or authority granted to the Committee under the 2010 Incentive Plan. Among other things, the Committee has complete discretion, subject to the express limits of the 2010 Incentive Plan, to determine the officers, directors, employees and independent contractors to be granted an award, the type of award to be granted, the number of shares subject to each award, the terms and conditions of each award, the exercise price of each award which is a stock option (“Option”) and the base price of each award which is a stock appreciation right (“SAR”), the term of each award, the vesting schedule for an award, whether to accelerate award vesting, the value of the Shares underlying an award, and the required withholdings, if any. The Committee is also authorized to construe the award agreements, and may prescribe rules relating to the 2010 Incentive Plan. Notwithstanding the foregoing, neither the Committee nor the Board has any authority to grant or modify an award under the 2010 Incentive Plan with terms or conditions that would cause the award to be considered nonqualified “deferred compensation” subject to Code Section 409A.

Grant of Awards; Shares Available for Awards. The 2010 Incentive Plan provides for the grant of Options (both incentive stock options and non-incentive stock options), SARs (including limited SARs), restricted stock, deferred stock, stock granted as a bonus or in lieu of another award, dividend equivalents, bonus stock, awards in lieu of obligations, and performance or annual incentive awards (each an “award”) to our executive officers, directors and employees, and independent contractors (each a “participant”) (however, solely employees are eligible for awards which are incentive stock options). We have reserved a total of 1,200,000 shares for issuance as or under awards to be made under the 2010 Incentive Plan. If any award lapses, expires, is cancelled, or terminates unexercised or ceases to be exercisable for any reason, the number of shares subject thereto is again available for grant under the 2010 Incentive Plan. The number of shares for which awards which are Options, SARs, performance awards or annual incentive awards may be granted to a participant under the 2010 Incentive Plan in any fiscal year is limited to 350,000.

The number of awards to be granted to officers, directors, employees and consultants cannot be determined at this time as the grant of awards is dependent upon various factors such as hiring requirements and job performance.

Options. The exercise price per share purchasable under an Option shall be determined by the Committee or the Board, provided that such per share exercise price shall not be less than 100% of the fair market value of a share on the date of grant of the Option and shall not, in any event, be less than the par value of a share on the date of grant of such option. The Committee or the Board shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part, the time or times at which Options shall cease to be or become exercisable following termination of employment or upon other conditions, the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, and the methods by or forms in which shares will be delivered or deemed to be delivered to participants who exercise Options.

Options which are incentive stock options (“ISOs”) granted under the 2010 Incentive Plan shall comply in all respects with Code Section 422. In the case of ISOs, if an employee owns or is deemed to own (by reason of the attribution rules applicable under Code Section 424(d)) more than 10% of the combined voting power of all classes of our shares or the shares of any parent or subsidiary (a “ten percent shareholder”) and an ISO is granted to such employee, the per share exercise price under such ISO (to the extent required by the Code at the time of grant) shall be no less than 110% of the fair market value of a share on the date such ISO is granted. The term of an ISO may not exceed 10 years (5 years in the case of an ISO granted to a ten percent shareholder). ISOs may be granted to solely employees. In addition, the aggregate fair market value of the shares subject to an ISO (determined at the time of grant) which are exercisable for the first time by an employee during any calendar year may not exceed \$100,000.

Stock Appreciation Rights. A SAR provides the participant to whom it is granted the right to receive, upon its exercise, the excess of (A) the fair market value of the number of shares subject to the SAR on the date of exercise (or, in the case of a “Limited SAR” (as defined in the 2010 Incentive Plan) which may be exercised only in the event of a “change in control” (as defined in the 2010 Incentive Plan), the fair market value determined by reference to the change in control price, as defined in the 2010 Incentive Plan), over (B) the product of the number of shares subject to the SAR multiplied by the grant price under the SAR, as determined by the Committee or the Board. The per share grant price of a SAR shall not be less than the fair market value of a share on the date of grant.

Restricted Stock Awards. A restricted stock award is a grant or sale of shares to the participant, subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee or the Board may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee or the Board may determine at the date of grant or purchase or thereafter. Except to the extent restricted under the terms of the 2010 Incentive Plan and any agreement relating to the restricted stock award, a participant who is granted or has purchased restricted stock shall have all of the rights of a shareholder, including the right to vote the restricted stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee or the Board). During the restricted period applicable to the restricted stock, subject to certain exceptions, the restricted stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the participant.

Deferred Stock. A deferred stock award is a right to receive shares, cash, or a combination thereof at the end of a specified deferral period, subject to certain terms and conditions, and in compliance with Code Section 409A. Payment under an award of deferred stock shall occur upon expiration of the deferral period specified for such deferred stock award by the Committee or the Board (or, if permitted by the Committee or the Board, as elected by the participant). In addition, deferred stock awards shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee or the Board may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee or the Board may determine. Payments under deferred stock awards may be by delivery of Shares, cash equal to the fair market value of the specified number of shares covered by the deferred stock award, or a combination thereof, as determined by the Committee or the Board at the date of grant or thereafter. Prior to the end of the specified deferral period for a deferred stock award, the award carries no voting or dividend or other rights associated with share ownership.

Bonus Shares and Awards in Lieu of Obligations. The Committee and the Board are each authorized to grant shares as a bonus, or to grant shares or other awards in lieu of our obligations to pay cash or deliver other property under the 2010 Incentive Plan or under other plans or compensatory arrangements, provided that, in the case of participants subject to Section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee to the extent necessary to ensure that acquisitions of shares or other awards are exempt from liability under Section 16(b) of the Exchange Act. These bonus shares or awards granted under the 2010 Incentive Plan shall be subject to such other terms as shall be determined by the Committee or the Board.

Dividend Equivalents. The Committee and the Board are each authorized to grant dividend equivalents to a participant, entitling the participant to receive cash, shares, other awards, or other property equal in value to dividends paid with respect to a specified number of Shares, or other periodic payments. Dividend equivalents may be awarded on a free-standing basis or in connection with another award. The Committee or the Board may provide that dividend equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional shares, awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee or the Board may specify.

Other Stock-Based Awards. The Committee and the Board are each authorized, subject to limitations under applicable law, to grant to participants such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares, as deemed by the Committee or the Board to be consistent with the purposes of the 2010 Incentive Plan, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares, purchase rights for shares, awards with value and payment contingent upon our performance or any other factors designated by the Committee or the Board, and awards valued by reference to the book value of shares or the value of securities of or the performance of our specified subsidiaries or business units.

Performance and Annual Incentive Awards. The Committee and the Board (except for such awards to be made to participants who are “covered employees” for purposes of Code Section 162(m), which awards must be made by the Committee) are each authorized to grant (i) performance awards, under which participants will receive cash payments, shares or other awards upon the satisfaction of pre-specified (generally, other than annual) performance criteria, and (ii) annual incentive awards, under which participants will receive cash payments, shares or other awards upon the satisfaction of pre-specified annual performance criteria. The performance criteria which may be used for performance awards or annual incentive awards made to participants who are “covered employees” for purposes of Code Section 162(m) may solely include, for us, on a consolidated basis and/or our specified subsidiaries or business units (except with respect to total shareholder return and earnings per share criteria) - total shareholder return; total shareholder return as compared to total return (on a comparable basis) of a publicly available index such as, but not limited to, the Standard & Poor’s 500 Stock Index or the S&P Specialty Retailer Index; net income; pretax earnings; earnings before interest expense, taxes, depreciation and amortization; pretax operating earnings after interest expense and before bonuses, service fees, and extraordinary or special items; operating margin; earnings per share; return on equity; return on capital; return on investment; operating earnings; working capital or inventory; and ratio of debt to shareholders’ equity.

Change in Control Provisions. In the event of a change in control (as defined in the 2010 Incentive Plan), (i) any award subject to vesting and exercisability requirements that was not previously vested and exercisable shall become fully vested and exercisable as of the occurrence of the change in control, subject to certain restrictions; (ii) Limited SARs (and other SARs if so provided by their terms) shall become exercisable for amounts, in cash, determined by reference to the change in control price; (iii) the restrictions, deferral of settlement, and forfeiture conditions applicable to any other award shall lapse and such awards shall be deemed fully vested as of the occurrence of the change in control, except to the extent of any waiver by the participant and subject to certain restrictions; (iv) with respect to any outstanding award subject to achievement of performance goals and conditions under the 2010 Incentive Plan, such performance goals and other conditions will be deemed to be met if and to the extent so provided by the Committee in the award agreement relating to such award; (v) the Board may in its sole and absolute discretion, provide on a case by case basis that Options shall terminate, provided however, that a participant holding a terminating Option shall have the right, immediately prior to the occurrence of such change in control and during such period as the Board in its sole discretion shall determine and designate, to exercise that Option, to the extent exercisable, in whole or in part; and (vi) the Board may in its sole and absolute discretion, provide on a case by case basis that any award entitled to be settled in shares shall instead be entitled to be settled, during such period as the Board in its sole discretion shall determine and designate, by means of a cash payment equal to the fair market value of such award immediately prior to the occurrence of such change in control, as determined in good faith by the Board.

Amendment and Termination. The Board may amend, alter, suspend, discontinue or terminate the 2010 Incentive Plan, or the Committee’s authority to grant awards under the 2010 Incentive Plan, without the consent of shareholders or participants, except that any amendment or alteration to the 2010 Incentive Plan shall be subject to the approval of the Company’s shareholders not later than the annual meeting next following such Board action if such shareholder approval is required by any federal or state law or regulation (including, without limitation, Rule 16b-3 or Code Section 162(m)) or the rules of any stock exchange or automated quotation system on which the Shares may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other such changes to the 2010 Incentive Plan to shareholders for approval; provided that, without the consent of an affected participant, no such Board action may materially and adversely affect the rights of such participant under any previously granted and outstanding award. The Committee or the Board may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any award theretofore granted and any award agreement relating thereto, except as otherwise provided in the 2010 Incentive Plan; provided that, without the consent of an affected participant, no such Committee or the Board action may materially and adversely affect the rights of such participant under such award.

Compensation Committee. The shareholders of the Company approved the 2010 Incentive Plan at the annual meeting held on December 27, 2010. In accordance with the 2010 Incentive Plan, the Board of Directors of the Company has appointed the Compensation Committee (the “Committee”) to administer the 2010 Incentive Plan. Subsequent to the balance sheet date, the Company granted an aggregate of 1,130,000 stock options to Huang Jia Dong, Su Pei Zhi, Su Wei Feng, Hen Man Edmund, Paul K. Kelly, Cheng Yan Davis, Ding Wei Dong and William L. Stulginsky, upon the approval by the Board of Directors on January 27, 2011, the grant date. The exercise price of the share options granted is \$7.65 per share and the share options are valid for a period of 5 years from January 27, 2011 to January 27, 2015. One-fourth of options granted will vest in every year from the grant date. As at the grant date of January 27, 2011, the estimated total fair value of the options granted is approximately \$3,977,600.

Certain U.S. Federal Income Tax Consequences of the 2010 Incentive Plan

The following is a general summary of the U.S. federal income tax consequences under current tax law to China Ceramics, were it subject to U.S. federal income taxation on a net income basis, and to participants under the 2010 Incentive Plan who are individual citizens or residents of the United States for U.S. federal income tax purposes (“U.S. participants”) of Options, which include ISOs and Options that are not ISOs, SARs, restricted stock, deferred stock, performance shares, performance units, restricted stock units, dividend equivalent rights and bonus stock. It does not purport to cover all of the special rules that may apply, including special rules relating to limitations on the ability of China Ceramics to deduct certain compensation, special rules relating to deferred compensation, golden parachutes, participants subject to Section 16(b) of the Exchange Act and the exercise of an Option with previously-acquired shares. This summary assumes that U.S. participants will hold their shares as capital assets within the meaning of Section 1221 of the Code. This summary does not address the application of the passive foreign investment company rules of the Code to U.S. participants. These rules are discussed generally under the section below entitled “Taxation—United States Federal Income Taxation—U.S. Holders—Passive Foreign Investment Company Rules”. In addition, this summary does not address the foreign, state or local income or other tax consequences, or any U.S. federal non-income tax consequences, inherent in the acquisition, ownership, vesting, exercise, termination or disposition of an award under the 2010 Incentive Plan or shares issued pursuant thereto. Participants are urged to consult their own tax advisors concerning the tax consequences to them of an award under the 2010 Incentive Plan or shares issued pursuant thereto.

A U.S. participant generally does not recognize taxable income upon the grant of an option. Upon the exercise of an Option that is not an ISO, the participant generally recognizes ordinary income in an amount equal to the excess, if any, of the fair market value of the shares acquired on the date of exercise over the exercise price therefor, and China Ceramics would be entitled to a deduction for such amount at that time. If the U.S. participant later disposes of the shares acquired under an Option that is not an ISO, the U.S. participant generally recognizes a long-term or short-term gain or loss, depending upon the period for which the shares were held thereby. A long-term capital gain generally is subject to more favorable tax treatment than ordinary income or a short-term capital gain. The deductibility of capital losses is subject to certain limitations.

Upon the exercise of an ISO, a U.S. participant generally does not recognize taxable income. If the U.S. participant disposes of the shares acquired pursuant to the exercise of an ISO more than two years after the date of grant and more than one year after the transfer of the shares to the participant, the U.S. participant generally recognizes a long-term capital gain or loss, and China Ceramics would not be entitled to a deduction. However, if the U.S. participant disposes of such shares prior to the end of the required holding period, all or a portion of the gain is treated as ordinary income, and China Ceramics generally would be entitled to deduct such amount.

In addition to the U.S. federal income tax consequences described above, the U.S. participant may be subject to the alternative minimum tax ("AMT"), which is payable to the extent it exceeds the participant's regular income tax. For this purpose, upon the exercise of an ISO, the excess of the fair market value of the shares for which the ISO is exercised over the exercise price thereunder for such shares is a preference item for purposes of the AMT. In addition, the U.S. participant's basis in such shares is increased by such excess for purposes of computing the gain or loss on the disposition of the shares for AMT purposes. If a U.S. participant is required to pay any AMT, the amount of such tax which is attributable to deferral preferences (including any ISO adjustment) generally may be allowed as a credit against the participant's regular income tax liability (and, in certain cases, may be refunded to the participant) in subsequent years. To the extent the credit is not used, it may be carried forward.

A U.S. participant who receives a restricted stock award or who purchases shares of restricted stock, which shares, in either case, are subject to a substantial risk of forfeiture and certain transfer restrictions, generally does not recognize income on the receipt of the award or the purchased restricted shares and generally recognizes ordinary compensation income at the time the restrictions lapse in an amount equal to the excess, if any, of the fair market value of the shares at such time over any amount paid by the U.S. participant for the shares. Alternatively, the U.S. participant may elect to be taxed upon receipt of the restricted shares based on the value of the shares at the time of receipt. China Ceramics generally would be entitled to deduct such amount at the same time as ordinary compensation income is required to be included by the U.S. participant and in the same amount. Dividends received with respect to restricted shares generally are treated as compensation, unless the U.S. participant elects to be taxed on the receipt (rather than the vesting) of the restricted shares.

A U.S. participant generally does not recognize income upon the grant of an SAR. The U.S. participant recognizes ordinary compensation income upon the exercise of the SAR equal to the increase in the value of the underlying shares, and China Ceramics generally would be entitled to a deduction for such amount.

A U.S. participant generally does not recognize income on the receipt of a deferred stock award or a bonus stock award and generally recognizes income when the shares are received. At such time, the U.S. participant recognizes ordinary compensation income equal to the excess, if any, of the fair market value of the shares over any amount paid for the shares, and China Ceramics generally would be entitled to deduct such amount at such time.

A U.S. participant generally does not recognize income on the receipt of a performance award, annual incentive award or dividend equivalent right award until a payment is received under the award. At such time, the U.S. participant recognizes ordinary compensation income equal to the amount of any cash payments and the fair market value of any shares received, and China Ceramics generally would be entitled to deduct such amount at such time.

C. Board Practices

The term of each director is until their resignation or removal.

Our board of directors has established an audit committee, a compensation committee and a governance and nominating committee.

Audit Committee. The audit committee consists of William L. Stulginsky, Paul K. Kelly, Ding Wei Dong and Cheng Yan Davis. Mr. Stulginsky is the chair of the audit committee, and our board of directors believe that Mr. Stulginsky qualifies as an “audit committee financial expert”, as such term is defined in the rules of the Securities and Exchange Commission.

The board of directors has adopted an audit committee charter, providing for the following responsibilities of the audit committee:

- appointing and replacing our independent auditors and pre-approving all auditing and permitted non-auditing services to be performed by the independent auditors;
- reviewing and discussing the annual audited financial statements with management and the independent auditors;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately and periodically with management, the internal auditors and the independent auditors; and
- reporting regularly to the board of directors.

Compensation Committee. Our compensation committee consists of Ding Wei Dong, Paul K. Kelly and Cheng Yan Davis. Ding Wei Dong is the chair of our compensation committee. Ding Wei Dong, Paul K. Kelly and Cheng Yan Davis do not have any direct or indirect material relationship with us other than as a director.

Our board of directors adopted a compensation committee charter, providing for the following responsibilities of the compensation committee:

- reviewing and making recommendations to the board regarding our compensation policies and forms of compensation provided to our directors and officers;
- reviewing and making recommendations to the board regarding bonuses for our officers and other employees;
- administering our incentive-compensation plans for our directors and officers;
- reviewing and assessing the adequacy of the charter annually;
- administering our share option plans, if they are established in the future, in accordance with the terms thereof; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

Governance and Nominating Committee. Our governance and nominating committee consists of Ding Wei Dong, Paul K. Kelly and Cheng Yan Davis. Ding Wei Dong is the chair of our governance and nominating committee. Ding Wei Dong, Paul K. Kelly and Cheng Yan Davis do not have any direct or indirect material relationship with us other than as a director.

Our board of directors adopted a governance and nominating committee charter, providing for the following responsibilities of the governance and nominating committee:

- overseeing the process by which individuals may be nominated to our board of directors;
- identifying potential directors and making recommendations as to the size, functions and composition of our board of directors and its committees;
- reviewing candidates proposed by our shareholders;
- developing the criteria and qualifications for the selection of potential directors; and
- making recommendations to the board of directors on new candidates for board membership.

In making nominations, the governance and nominating committee is required to submit candidates who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who shall be most effective, in conjunction with the other nominees to the board, in collectively serving the long-term interests of the shareholders. In evaluating nominees, the governance and nominating committee is required to take into consideration the following attributes, which are desirable for a member of the board: leadership, independence, interpersonal skills, financial acumen, business experiences, industry knowledge, and diversity of viewpoints.

Code of Ethics

In May 2010, our board of directors adopted a code of ethics that applies to our directors, officers and employees. Our code of ethics is available on our website at <http://cceramics.com/Corporate-Governance.html>.

Director Independence

Our board of directors has determined that Messrs. William L. Stulginsky, Ding Wei Dong and Paul K. Kelly and Ms. Cheng Yan Davis qualify as independent directors under the rules of the Nasdaq Marketplace Rules because they are not currently employed by us, and do not fall into any of the enumerated categories of people who cannot be considered independent in the Nasdaq Marketplace Rules.

D. Employees

The table below provides information as to the total number of employees at the end of the last three fiscal years. We reduced our employees in 2012 due to the reduction in the facilities that were being operated. We have no contracts or collective bargaining agreements with labor unions and have never experienced work stoppages due to labor dispute. We consider our relations with our employees to be good.

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Number of Employees	2,041	2,491	2,297

E. Share Ownership

See Item 7, below.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major shareholders

The following table sets forth, as of March 31, 2013, certain information regarding beneficial ownership of our shares by each person who is known by us to beneficially own more than 5% of our shares. The table also identifies the share ownership of each of our directors, each of our named executive officers, and all directors and officers as a group. Except as otherwise indicated, the shareholders listed in the table have sole voting and investment powers with respect to the shares indicated. Our major shareholders do not have different voting rights than any other holder of our shares.

Shares which an individual or group has a right to acquire within 60 days pursuant to the exercise or conversion of options, warrants or other similar convertible or derivative securities are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting and investment power. Except as otherwise indicated below, each beneficial owner holds voting and investment power directly. The percentage of ownership is based on 20,430,838 shares issued and outstanding as of March 31, 2013.

Name(1)	Number of Shares Beneficially Owned	Percentage of Ownership
Paul K. Kelly(2)	727,676(3)	3.6%
Cheng Yan Davis(4)	109,750(5)	*
Huang Jia Dong	8,345,308(6)	40.3%
Su Pei Zhi	100,000(7)	*
Ding Wei Dong	40,000(8)	*
William L. Stulginsky(9)	70,000(10)	*
Su Wei Feng	200,000(11)	*
Hen Man Edmund	358,000(12)	1.7%
All directors and executive officers as a group (8 individuals)	9,950,734	47.0%
Sound Treasure Limited	5,212,905(13)	25.5%
Clear Harbor Asset Management, LLC	1,617,948(14)	7.9%
David Knott	1,259,081(15)	6.2%
James D. Dunning, Jr.	1,101,251(16)	5.4%
Alan G. Hassenfeld	1,101,251(16)	5.4%
Gregory E. Smith	1,101,251(16)	5.4%

* Less than 1%

- (1) Unless otherwise indicated, the business address of each of the individuals is c/o Jinjiang Hengda Ceramics Co., Ltd.; Junbing Industrial Zone; Anhai, Jinjiang City; Fujian Province, PRC.
- (2) Paul K. Kelly's business address is c/o Knox & Co.; 830 Post Road East, Suite 205; Westport, CT 06880.
- (3) Includes 40,000 shares underlying options. The options are currently exercisable for \$7.65 per ordinary share and expire on January 27, 2016.
- (4) Cheng Yan Davis's address is 160 Riverside Blvd, New York NY.
- (5) Includes 40,000 shares underlying options. The options are currently exercisable for \$7.65 per ordinary share and expire on January 27, 2016.
- (6) Includes (i) an aggregate of 2,682,403 ordinary shares owned by Mr. Huang's spouse and children for which Mr. Huang may be deemed to be the beneficial owner but for which Mr. Huang disclaims any beneficial ownership, (ii) 5,212,905 shares owned by Sound Treasure Limited, an entity of which Mr. Huang is the sole director and shareholder, and (iii) 300,000 shares underlying options that are currently exercisable for \$7.65 per ordinary share and expire on January 27, 2016.
- (7) Consists of 100,000 shares underlying options. The options are currently exercisable for \$7.65 per ordinary share and expire on January 27, 2016.
- (8) Consists of 40,000 shares underlying options. The options are currently exercisable for \$7.65 per ordinary share and expire on January 27, 2016.

- (9) William L. Stulginsky's address is 209 Wisteria Lane; Media, PA 19063.
- (10) Includes 60,000 shares underlying options. The options are currently exercisable for \$7.65 per ordinary share and expire on January 27, 2016.
- (11) Consists of 200,000 shares underlying options. The options are currently exercisable for \$7.65 per ordinary share and expire on January 27, 2016.
- (12) Includes 350,000 shares underlying options. The options are currently exercisable for \$7.65 per ordinary share and expire on January 27, 2016.
- (13) Huang Jia Dong is the sole director and shareholder of Sound Treasure Limited.
- (14) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 13, 2013. The principal business address of Clean Harbor Asset Management, LLC is 420 Lexington Avenue, Suite 2006; New York, NY 10170.
- (15) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 23, 2012. Includes (i) 1,259,081 shares beneficially owned by Dorset Management Corporation, (ii) 672,400 shares beneficially owned by Knott Partners, L.P., and (iii) 356,681 shares beneficially owned by Knott Partners Offshore Master Fund, L.P. Mr. Knott is the managing member of Knott Partners Management, LLC, a New York limited liability company ("Knott Management"), that is the sole General Partner of Shoshone Partners, L.P., a Delaware limited partnership ("Shoshone"), Mulsanne Partners, L.P., a Delaware limited partnership ("Mulsanne"), and Knott Partners Offshore Master Fund, L.P., a Cayman Islands Exempted Limited Partnership ("Knott Offshore"), and managing general partner of Knott Partners, L.P., a New Jersey limited partnership ("Knott Partners" and together with Shoshone, Mulsanne and Offshore, the "Partnerships"). The Partnerships invest in securities that are sold in public markets. The principal activity of each Partnership is the acquisition of long and short positions in equity securities of publicly traded U.S. and foreign securities. Each Partnership has the authority to employ various trading and hedging techniques and strategies in connection therewith. Mr. Knott is also the sole shareholder, Director and President of Dorset Management Corporation ("DMC"), which provides investment management services to the Partnerships and a limited number of other foreign and domestic individuals and entities. The business address of Mr. Knott, DMC and Knott Partners is 485 Underhill Boulevard, Suite 205; Syosset, New York 11791. The business address of Knott Offshore is c/o Walkers SPV Limited, Walker House; 87 Mary Street, Georgetown, Cayman KY1-9002; Cayman Islands.
- (16) Based on a Schedule 13D/A filed with the Securities and Exchange Commission on October 28, 2011 filed by James D. Dunning, Alan G. Hassenfeld, and Gregory E. Smith, who are parties to a voting agreement dated November 20, 2009. Consists of 663,693 shares owned by Mr. Dunning, 348,656 shares owned by Mr. Hassenfeld, and 88,902 shares owned by Mr. Smith. The business address of Mr. Dunning is 2 Sutton Place South, Apt. 17D, New York, NY 10022. The business address of Mr. Hassenfeld is c/o Hassenfeld Family Initiatives; The Owen Building; 101 Dyer Street, Suite 401; Providence, RI 02903. The business address of Mr. Smith is 1401 NE 70th Street; Oklahoma City, OK 73111

Our officers, directors, employees and independent contractors are eligible to receive awards under the 2010 Incentive Plan, as described under the section titled "6.B Compensation—China Ceramics Co., Ltd. 2010 Incentive Compensation Plan."

B. Related Party Transactions

Related Party Transactions of CHAC

Pursuant to a registration rights agreement between us and certain of our officers and directors, we must use our best efforts to cause a registration statement relating to the resale of certain securities owned by them to be declared effective and, once effective, only to use our best efforts to maintain the effectiveness of the registration statement. A registration statement pursuant to these rights is currently effective.

Related Party Transactions of China Ceramics and Operating predecessor

Mr. Huang Jia Dong, the founder and Chairman of Hengda and our Chief Executive Officer and one of our directors, and a holder of approximately 40.3% of our shares as of April 22, 2013, and Mr. Wong Kung Tok, formerly one of our significant shareholders, provide working capital loans to us from time to time during the normal course of our business. These loans amounted to RMB 1,327,000 (\$201,000), RMB 1,327,000 (\$211,000), and RMB 4,796,000 (\$770,000) in 2010, 2011, and 2012, respectively. These loans are interest free, unsecured and repayable on demand. They remain outstanding as of December 31, 2012. Mr. Huang and Mr. Wong are brothers-in-law.

Pursuant to an administrative services agreement dated as of December 1, 2009 between China Ceramics and Stuart Management Co., an affiliate of Paul K. Kelly, Chairman of the board of directors, China Ceramics pays \$7,000 a month plus out-of-pocket expenses to Stuart Management Co. for administrative services. The initial one-year term began on December 1, 2009, and the agreement automatically renews for successive one-year terms unless either party notifies the other of its intent not to renew. During the term of the agreement, Stuart Management Co. will provide us with general administrative services, including acting as an administrative agent for us in the United States and the British Virgin Islands, and allow us to utilize certain of its office space for meetings.

Mr. Huang Jia Dong, director and chief executive officer and Su Pei Zhi, director and sales deputy general manager provide guarantees to the Company for certain bank loans. The guarantees amounted to RMB 142,000,000 (\$21,515,000), RMB 180,000,000 (\$28,599,000) and RMB 180,000,000 (\$28,892,000) as of December 31, 2010, 2011 and 2012, respectively.

C. Interests of Experts and Counsel

Not required.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

See Item 18.

B. Significant Changes

None

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The following tables set forth, for the calendar quarters indicated and through March 31, 2013, the quarterly high and low sale prices for our shares, as reported on NASDAQ, the OTC Bulletin Board or the NYSE Amex, as applicable. The OTC Bulletin Board market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily reflect actual transactions.

	Shares	
	High	Low
Annual Highs and Lows		
2008	9.40	8.20
2009	10.01	7.00
2010	10.10	5.05
2011	8.48	2.45
2012	4.25	1.50
Quarterly Highs and Lows		
2011		
First Quarter	8.48	5.52
Second Quarter	6.20	3.80
Third Quarter	5.45	2.45
Fourth Quarter	3.09	2.49
2012		
First Quarter	4.25	2.84
Second Quarter	3.99	2.55
Third Quarter	3.09	1.77
Fourth Quarter	2.54	1.50
2013		
First Quarter	3.44	2.05
Monthly Highs and Lows		
September 2012	2.50	1.77
October 2012	1.61	1.50
November 2012	2.08	1.51
December 2012	2.54	1.89
January 2013	3.44	2.46
February 2013	3.30	2.85
March 2013	3.10	2.05

B. Plan of Distribution

Not Applicable.

C. Markets

Our shares have been listed on the NASDAQ Global Market under the symbols CCCL, since January 18, 2011. Our shares were listed on the NASDAQ Capital Market from November 3, 2010 through January 17, 2011. The shares were previously quoted on the OTC Bulletin Board from December 29, 2009 through November 2, 2010. Prior to December 29, 2009, our shares were traded on NYSE Amex, under the symbols "HOL." CHAC's shares commenced to trade on December 17, 2007.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

The information required by Item 10.B of Form 20-F is included in the section titled “Description of Securities—Memorandum and Articles of Association” in our Registration Statement on Form F-1 initially filed with the SEC on October 29, 2010 (File No.: 333-170237), which section is incorporated herein by reference.

C. Material Contracts

Pursuant to an administrative services agreement dated as of December 1, 2009 between us and Stuart Management Co., an affiliate of Paul K. Kelly, Chairman of the board of directors, China Ceramics will pay \$7,000 a month plus out-of-pocket expenses to Stuart Management Co. for administrative services beginning on December 1, 2009 for a term of one year, and the agreement shall automatically renew for successive one-year terms unless either party notifies the other of its intent not to renew.

On November 19, 2009, Hengda entered into a definitive acquisition agreement to acquire a new production facility in Gaoan, Jiangxi Province, PRC by purchasing 100% of the equity interests in Hengdali. The closing of the acquisition was subject to the Gaoan City Administration for Industry and Commerce transferring the registration and business license of Hengdali from Hengdali’s former shareholders to Hengda. The transfer occurred on January 8, 2010. Hengda appointed an executive officer to take control over Hengdali’s operating and financing activities on the same day. In total, Hengda assumed loans of RMB 60.0 million and paid cash consideration of RMB 185.5 million for the acquisition.

Except for the above, the Company did not enter into any other material contracts during our fiscal years 2011 or 2012.

D. Exchange controls

Under British Virgin Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to nonresident holders of our shares.

E. Taxation

The following summary of the material PRC and U.S. federal income tax consequences of the acquisition, ownership and disposition of China Ceramics shares, sometimes referred to as “securities,” is based upon laws and relevant interpretations thereof in effect as of the date of this Annual Report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in China Ceramics’ securities, such as the tax consequences under state, local and other tax laws. For purposes of this discussion, references to “China Ceramics,” “we,” “us” or “our” refer only to China Ceramics Co., Ltd.

PRC Taxation

The following discussion summarizes the material PRC income tax considerations relating to the acquisition, ownership and disposition of China Ceramics' securities.

You should consult with your own tax adviser regarding the PRC tax consequences of the acquisition, ownership and disposition of China Ceramics' securities.

Resident Enterprise Treatment

On March 16, 2007, the Fifth Session of the Tenth National People's Congress passed the Enterprise Income Tax Law of the PRC ("EIT Law"), which became effective on January 1, 2008. Under the EIT Law, enterprises are classified as "resident enterprises" and "non-resident enterprises." Pursuant to the EIT Law and its implementing rules, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate on their worldwide taxable income. According to the implementing rules of the EIT Law, "de facto management body" refers to a managing body that in practice exercises overall management control over the production and business, personnel, accounting and assets of an enterprise.

On April 22, 2009, the State Administration of Taxation issued the Notice on the Issues Regarding Recognition of Enterprises that are Domestically Controlled as PRC Resident Enterprises Based on the De Facto Management Body Criteria, which was retroactively effective as of January 1, 2008. This notice provides that an overseas incorporated enterprise that is controlled by PRC domestic companies will be recognized as a "tax-resident enterprise" if it satisfies all of the following conditions: (i) the senior management responsible for daily production/business operations are primarily located in the PRC, and the location(s) where such senior management execute their responsibilities are primarily in the PRC; (ii) strategic financial and personnel decisions are made or approved by organizations or personnel located in the PRC; (iii) major properties, accounting ledgers, company seals and minutes of board meetings and stockholder meetings, etc., are maintained in the PRC; and (iv) 50% or more of the board members with voting rights or senior management habitually reside in the PRC.

Given the short history of the EIT Law and lack of applicable legal precedent, it remains unclear how the PRC tax authorities will determine the resident enterprise status of a company organized under the laws of a foreign (non-PRC) jurisdiction, such as China Ceramics, Success Winner and Stand Best. If the PRC tax authorities determine that China Ceramics, Success Winner and/or Stand Best is a "resident enterprise" under the EIT Law, a number of tax consequences could follow. First, China Ceramics, Success Winner and/or Stand Best could be subject to the enterprise income tax at a rate of 25% on their worldwide taxable income, as well as PRC enterprise income tax reporting obligations. Second, the EIT Law provides that dividend income between "qualified resident enterprises" is exempt from income tax. As a result, if China Ceramics, Success Winner and Stand Best are each treated as a "qualified resident enterprise," all dividends paid from Hengda to China Ceramics, through Success Winner and Stand Best, should be exempt from the PRC enterprise income tax.

As of the date of this Annual Report, there has not been a definitive determination by China Ceramics, Success Winner, Stand Best or the PRC tax authorities as to the "resident enterprise" or "non-resident enterprise" status of China Ceramics, Success Winner and Stand Best. However, since it is not anticipated that China Ceramics, Success Winner and/or Stand Best would receive dividends or generate other income in the near future, China Ceramics, Success Winner and Stand Best are not expected to have any income that would be subject to the 25% enterprise income tax on worldwide taxable income in the near future. China Ceramics, Success Winner and Stand Best will make any necessary tax payment if China Ceramics, Success Winner or Stand Best (based on future clarifying guidance issued by the PRC), or the PRC tax authorities, determine that China Ceramics, Success Winner or Stand Best is a resident enterprise under the EIT Law, and if China Ceramics, Success Winner or Stand Best were to have income in the future.

Dividends From Hengda

If Stand Best is not treated as a resident enterprise under the EIT Law, then dividends that Stand Best receives from Hengda may be subject to PRC withholding tax. The EIT Law and the implementing rules of the EIT Law provide that (A) an income tax rate of 25% will normally be applicable to investors that are “non-resident enterprises” which (i) have an establishment or place of business inside the PRC, and (ii) have income in connection with their establishment or place of business that is sourced from the PRC or is earned outside the PRC but has an actual connection with their establishment or place of business inside the PRC, and (B) a PRC withholding tax at a rate of 10% will normally be applicable to dividends payable to non-resident enterprises that (i) do not have an establishment or place of business in the PRC or (ii) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC.

As described above, the PRC tax authorities may determine the resident enterprise status of entities organized under the laws of foreign jurisdictions on a case-by-case basis. China Ceramics, Success Winner and Stand Best are holding companies and substantially all of China Ceramics’, Success Winner’s and Stand Best’s income may be derived from dividends. Thus, if China Ceramics, Success Winner and/or Stand Best are considered a “non-resident enterprise” under the EIT Law and the dividends paid to China Ceramics, Success Winner and/or Stand Best are considered income sourced within the PRC, such dividends received may be subject to PRC withholding tax as described in the foregoing paragraph.

The State Council of the PRC or a tax treaty between China and the jurisdiction in which the non-resident enterprise resides may reduce such income or withholding tax, with respect to a non-resident enterprise. Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “PRC-Hong Kong Tax Treaty”), if the Hong Kong resident enterprise that is not deemed to be a conduit by the PRC tax authorities owns more than 25% of the equity interest in a PRC resident enterprise, the 10% PRC withholding tax on the dividends the Hong Kong resident enterprise receives from such PRC resident enterprise is reduced to 5%.

China Ceramics is a British Virgin Islands holding company, and it has a British Virgin Islands subsidiary (Success Winner), which owns a 100% equity interest in a subsidiary in Hong Kong (Stand Best), which in turn owns a 100% equity interest in Hengda, a PRC company. As a result, if Stand Best were treated as a “non-resident enterprise” under the EIT Law, then dividends that Stand Best receives from Hengda (assuming such dividends were considered sourced within the PRC) (i) may be subject to a 5% PRC withholding tax, if the PRC-Hong Kong Tax Treaty were applicable, or (ii) if such treaty does not apply (i.e., because the PRC tax authorities may deem Stand Best to be a conduit that is not entitled to treaty benefits), may be subject to a 10% PRC withholding tax. Similarly, if Success Winner were treated as a PRC “non-resident enterprise” under the EIT Law and Stand Best were treated as a PRC “resident enterprise” under the EIT Law, then dividends that Success Winner receives from Stand Best (assuming such dividends were considered sourced within the PRC) may be subject to a 10% PRC withholding tax. A similar situation may arise if China Ceramics were treated as a “non-resident enterprise” under the EIT Law, and Success Winner were treated as a “resident enterprise” under EIT Law. Any such taxes on dividends could materially reduce the amount of dividends, if any, China Ceramics could pay to its shareholders.

As of the date of this Annual Report, there has not been a definitive determination by China Ceramics, Success Winner, Stand Best or the PRC tax authorities as to the “resident enterprise” or “non-resident enterprise” status of China Ceramics, Success Winner and Stand Best. As described above, however, Hengda, Stand Best and Success Winner are not expected to pay any dividends in the near future. Hengda, Stand Best and Success Winner will make any necessary tax withholding if, in the future, Hengda, Stand Best or Success Winner were to pay any dividends and Hengda, Stand Best or Success Winner (based on future clarifying guidance issued by the PRC), or the PRC tax authorities, determine that Stand Best, Success Winner or China Ceramics is a non-resident enterprise under the EIT Law.

Dividends that Non-PRC Resident Investors Receive From China Ceramics; Gain on the Sale or Transfer of China Ceramics’ Securities

If we are determined to be a resident enterprise under the EIT Law and dividends payable to (or gains realized by) China Ceramics’ investors that are not tax residents of the PRC (“non-resident investors”) are treated as income derived from sources within the PRC, then the dividends that the non-resident investors receive from us and any such gain derived by such investors on the sale or transfer of China Ceramics’ securities may be subject to income tax under the PRC tax laws.

Under the PRC tax laws, PRC withholding tax at the rate of 10% is applicable to dividends payable to non-resident investors that are enterprises, but not individuals, and that (i) do not have an establishment or place of business in the PRC or (ii) have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business, to the extent that such dividends are deemed to be sourced within the PRC. Similarly, any gain realized on the transfer of China Ceramics’ securities by such investors also is subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

The dividends paid by us to such non-resident investors with respect to China Ceramics’ securities, or gain such non-resident investors may realize from the sale or transfer of China Ceramics’ securities, may be treated as PRC-sourced income and, as a result, may be subject to PRC tax at a rate of 10%. In such event, China Ceramics may be required to withhold a 10% PRC tax on any dividends paid to such non-resident investors. In addition, such non-resident investors in China Ceramics’ securities may be responsible for paying PRC tax at a rate of 10% on any gain realized from the sale or transfer of China Ceramics’ securities if such non-resident investors and the gain satisfy the requirements under the PRC tax laws. However, under the PRC tax laws, China Ceramics would not have an obligation to withhold PRC income tax in respect of the gains that such non-resident investors (including U.S. enterprise investors) may realize from the sale or transfer of China Ceramics’ securities. Also, if China Ceramics is determined to be a “resident enterprise,” its non-resident investors who are individuals may also be subject to potential PRC individual income tax at a rate of 20% with respect to dividends received from China Ceramics and/or gains derived by them from the sale or transfer of China Ceramics’ securities.

If China Ceramics were to pay any dividends in the future, and if China Ceramics (based on future clarifying guidance issued by the PRC), or the PRC tax authorities, determine that China Ceramics must withhold PRC tax on any dividends payable by China Ceramics under the PRC tax laws, China Ceramics will make any necessary tax withholding on dividends payable to its non-resident investors. If non-resident investors as described under the PRC tax laws (including U.S. investors) realize any gain from the sale or transfer of China Ceramics’ securities and if such gain were considered as PRC-sourced income, such non-resident investors would be responsible for paying the applicable PRC income tax on the gain from the sale or transfer of China Ceramics’ securities. As indicated above, under the PRC tax laws, China Ceramics would not have an obligation to withhold PRC income tax in respect of the gains that non-resident investors (including U.S. investors) may realize from the sale or transfer of China Ceramics’ securities.

On December 10, 2009, the SAT released Circular Guoshuihan No. 698 (“Circular 698”) that reinforces the taxation of certain equity transfers by non-resident investors through overseas holding vehicles. Circular 698 addresses indirect equity transfers as well as other issues. Circular 698 is retroactively effective from January 1, 2008. According to Circular 698, where a non-resident investor who indirectly holds an equity interest in a PRC resident enterprise through a non-PRC offshore holding company indirectly transfers an equity interest in the PRC resident enterprise by selling an equity interest in the offshore holding company, and the latter is located in a country or jurisdiction where the actual tax burden is less than 12.5% or where the offshore income of its residents is not taxable, the non-resident investor is required to provide the PRC tax authority in charge of that PRC resident enterprise with certain relevant information within 30 days of the execution of the equity transfer agreement. The tax authorities in charge will evaluate the offshore transaction for tax purposes. In the event that the PRC tax authorities determine that such transfer is abusing forms of business organization and a reasonable commercial purpose for the offshore holding company other than the avoidance of PRC income tax liability is lacking, the PRC tax authorities will have the power to re-assess the nature of the equity transfer under the doctrine of substance over form. A reasonable commercial purpose may be established when the overall international (including U.S.) offshore structure is set up to comply with the requirements of supervising authorities of international (including U.S.) capital markets. If the SAT’s challenge of a transfer is successful, it may deny the existence of the offshore holding company that is used for tax planning purposes and subject the seller to PRC tax on the capital gain from such transfer. Since Circular 698 has a short history, there is uncertainty as to its application. China Ceramics (or a non-resident investor) may become at risk of being taxed under Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that China Ceramics (or such non-resident investor) should not be taxed under Circular 698, which could have a material adverse effect on China Ceramics’ financial condition and results of operations (or such non-resident investor’s investment in China Ceramics).

Penalties for Failure to Pay Applicable PRC Income Tax

A non-resident investor in us may be responsible for paying PRC tax on any gain realized from the sale or transfer of China Ceramics’ securities if such non-resident investor and the gain satisfy the requirements under the PRC tax laws, as described above.

According to the EIT Law and its implementing rules, the PRC Individual Income Tax Law and its implementing rules, the PRC Tax Administration Law (the “Tax Administration Law”) and its implementing rules, the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises (the “Administration Measures”) and other applicable PRC laws or regulations (collectively the “Tax Related Laws”), where any gain derived by a non-resident investor from the sale or transfer of China Ceramics’ securities is subject to any income tax in the PRC, and such non-resident investor fails to file any tax return or pay tax in this regard pursuant to the Tax Related Laws, such investor may be subject to certain fines, penalties or punishments, including without limitation: (1) if the non-resident investor fails to file a tax return and present the relevant information in connection with tax payments, the competent tax authorities shall order it to do so within the prescribed time limit and may impose a fine up to RMB 2,000, and in egregious cases, may impose a fine ranging from RMB 2,000 to RMB 10,000; (2) if the non-resident investor fails to file a tax return or fails to pay all or part of the amount of tax payable, the non-resident investor shall be required to pay the unpaid tax amount payable, a surcharge on overdue tax payments (the daily surcharge is 0.05% of the overdue amount, beginning from the day the deferral begins) and a fine ranging from 50% to 500% of the unpaid amount of the tax payable; (3) if the non-resident investor fails to file a tax return and to pay the tax within the prescribed time limit according to the order by the PRC tax authorities, the PRC tax authorities may collect and check information about the income receivable by the non-resident investor in the PRC from other payers (the “Other Payers”) who will pay amounts to such non-resident investor, and send a “Notice of Tax Issues” to the Other Payers to collect and recover the tax payable and overdue fines imposed on such non-resident investor from the amounts otherwise payable to such non-resident investor by the Other Payers; (4) if the non-resident investor fails to pay the tax payable within the prescribed time limit as ordered by the PRC tax authorities, a fine may be imposed on the non-resident investor ranging from 50% to 500% of the unpaid tax payable, and the PRC tax authorities may, upon approval by the director of the tax bureau (or sub-bureau) of, or higher than, the county level, take the following compulsory measures: (i) notify in writing the non-resident investor’s bank or other financial institution to withhold from the account thereof for payment of the amount of tax payable, and (ii) detain, seal off, or sell by auction or on the market the non-resident investor’s commodities, goods or other property in a value equivalent to the amount of tax payable; or (5) if the non-resident investor fails to pay all or part of the amount of tax payable or surcharge for overdue tax payment, and cannot provide a guarantee to the PRC tax authorities, the tax authorities may notify the frontier authorities to prevent the non-resident investor or its legal representative from leaving the PRC.

United States Federal Income Taxation

General

The following is a summary of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of China Ceramics' securities.

The discussion below of the U.S. federal income tax consequences to "U.S. Holders" will apply to a beneficial owner of China Ceramics' securities that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A beneficial owner of our securities that is described above is referred to herein as a "U.S. Holder." If a beneficial owner of China Ceramics' securities is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a "Non-U.S. Holder." The material U.S. federal income tax consequences applicable specifically to Non-U.S. Holders are described below under the heading "Non-U.S. Holders."

This summary is based on the Internal Revenue Code of 1986, as amended, or the "Code," its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder of China Ceramics' securities based on such holder's individual circumstances. In particular, this discussion considers only holders that own and hold China Ceramics' securities as capital assets within the meaning of Section 1221 of the Code. This discussion also does not address the alternative minimum tax. In addition, this discussion does not address the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or financial services entities;
- broker-dealers;
- persons that are subject to the mark-to-market accounting rules under Section 475 of the Code;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 5% or more of China Ceramics' voting shares;
- persons that acquired China Ceramics' securities pursuant to an exercise of employee share options, in connection with employee share incentive plans or otherwise as compensation;
- persons that hold China Ceramics' securities as part of a straddle, constructive sale, hedging, conversion or other integrated transaction; or
- persons whose functional currency is not the U.S. dollar;
- controlled foreign corporations; or
- passive foreign investment companies.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws, or, except as discussed herein, any tax reporting obligations of a holder of China Ceramics' securities. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold China Ceramics' securities through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of China Ceramics' securities, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distribution made (or deemed made) in respect to the China Ceramics' securities and any consideration received (or deemed received) by a holder in connection with the sale or other disposition of such securities will be in U.S. dollars.

China Ceramics has not sought, and will not seek, a ruling from the Internal Revenue Service, or "IRS," or an opinion of counsel, as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

THIS DISCUSSION IS ONLY A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF CHINA CERAMICS' SECURITIES. EACH HOLDER OF CHINA CERAMICS' SECURITIES IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF CHINA CERAMICS' SECURITIES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND APPLICABLE TAX TREATIES.

Tax Treatment of China Ceramics After the Redomestication and the Business Combination

Section 7874(b) of the Code generally provides that a corporation organized outside the United States that acquires, directly or indirectly, pursuant to a plan or series of related transactions, substantially all of the assets of a corporation organized in the United States will be treated as a domestic corporation for U.S. federal income tax purposes if shareholders of the acquired corporation, by reason of owning shares of the acquired corporation, own at least 80% of either the voting power or the value of the stock of the acquiring corporation after the acquisition. Under regulations recently promulgated under Section 7874, a warrant holder of either the acquired corporation or the acquiring corporation generally is treated for this purpose as owning stock of the acquired corporation or the acquiring corporation, as the case may be, with a value equal to the excess of the value of the shares underlying the warrant over the exercise price of the warrant. If Section 7874(b) were to apply to the Redomestication, then, among other things, China Ceramics, as the surviving entity, would be subject to U.S. federal income tax on its worldwide taxable income following the Redomestication and the Business Combination as if it were a domestic corporation.

After the completion of the Business Combination, which occurred immediately after and as part of the same integrated transaction as the Redomestication, the former stockholders of CHAC (including warrant holders treated as owning stock of CHAC pursuant to the regulations under Section 7874) should be considered as owning, by reason of owning (or being treated as owning) stock of CHAC, less than 80% of the voting power and the value of the shares of China Ceramics (including any warrants treated as shares of China Ceramics pursuant to the regulations promulgated under Section 7874). Accordingly, Section 7874(b) should not apply to treat China Ceramics as a domestic corporation for U.S. federal income tax purposes. However, due to the absence of full guidance on how the rules of Section 7874(b) apply to the transactions completed pursuant to the Redomestication and the Business Combination, this result is not entirely free from doubt. If, for example, the Redomestication were ultimately determined for purposes of Section 7874(b) as having occurred prior to, and separate from, the Business Combination for U.S. federal income tax purposes, the share ownership threshold for applicability of Section 7874(b) generally would be satisfied (and China Ceramics would be treated as a domestic corporation for U.S. federal income tax purposes) because the former stockholders of CHAC (including warrant holders treated as owning stock of CHAC), by reason of owning (or being treated as owning) stock of CHAC, would own all of the shares (including any warrants treated as shares) of China Ceramics immediately after the Redomestication. Although normal “step transaction” tax principles support the view that the Redomestication and the Business Combination should be viewed together for purposes of determining whether Section 7874(b) is applicable, because of the absence of guidance under Section 7874(b) directly on point, this result is not entirely free from doubt. The balance of this discussion assumes that China Ceramics will be treated as a foreign corporation for U.S. federal income tax purposes.

U.S. Holders

Taxation of Cash Distributions Paid on Shares

Subject to the passive foreign investment company, or “PFIC,” rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid on the shares of China Ceramics. A cash distribution on such shares generally will be treated as a dividend for U.S. federal income tax purposes to the extent the distribution is paid out of current or accumulated earnings and profits of China Ceramics (as determined for U.S. federal income tax purposes). Such dividend generally will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The portion of such cash distribution, if any, in excess of such earnings and profits will be applied against and reduce (but not below zero) the U.S. Holder’s adjusted basis in its shares in China Ceramics. Any remaining excess generally will be treated as gain from the sale or other taxable disposition of such shares.

With respect to non-corporate U.S. Holders such dividends may be subject to U.S. federal income tax at the lower applicable regular long-term capital gains tax rate (see “—Taxation on the Disposition of Securities” below) provided that (1) the shares of China Ceramics are readily tradable on an established securities market in the United States or, in the event China Ceramics is deemed to be a Chinese “resident enterprise” under the EIT Law, China Ceramics is eligible for the benefits of the Agreement between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, or the “U.S.-PRC Tax Treaty,” (2) China Ceramics is not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. Under published IRS authority, shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the NASDAQ Global Market. Although China Ceramics’ shares are currently listed and traded on the NASDAQ Global Market, it cannot guarantee that its shares will continue to be listed and traded on the NASDAQ Global Market. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for any dividends paid with respect to the shares of China Ceramics.

If a PRC income tax applies to any cash dividends paid to a U.S. Holder on the shares of China Ceramics, such tax may be treated as a foreign tax eligible for a deduction from such holder’s U.S. federal taxable income or a foreign tax credit against such holder’s U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to such dividends, such U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Taxation on the Disposition of Securities

Upon a sale or other taxable disposition of the securities in China Ceramics, and subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder’s adjusted tax basis in the securities.

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders are generally subject to U.S. federal income tax at a maximum regular rate of 20%. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder’s holding period for the securities exceeds one year. The deductibility of capital losses is subject to various limitations.

If a PRC income tax applies to any gain from the disposition of the securities in China Ceramics by a U.S. Holder, such tax may be treated as a foreign tax eligible for a deduction from such holder’s U.S. federal taxable income or a foreign tax credit against such holder’s U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to any gain, such U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Additional Taxes

U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, without limitation, dividends on, and gains from the sale or other taxable disposition of, China Ceramics' securities, subject to certain limitations and exceptions. Under recently issued proposed regulations, in the absence of a special election, such unearned income generally would not include income inclusions under the qualified electing fund, or QEF, rules discussed below under "–Passive Foreign Investment Company Rules," but would include distributions of earnings and profits from a QEF. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of China Ceramics' securities.

Passive Foreign Investment Company Rules

A foreign (i.e., non-U.S.) corporation will be a PFIC if at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income. Alternatively, a foreign corporation will be a PFIC if at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets.

Based on the composition (and estimated values) of the assets and the nature of the income of China Ceramics and its subsidiaries during its 2012 taxable year, China Ceramics does not believe that it was treated as a PFIC for such year. However, because China Ceramics has not performed a definitive analysis as to its PFIC status for its 2012 taxable year, there can be no assurance in respect to its PFIC status for such year. There also can be no assurance with respect to China Ceramics' status as a PFIC for its current (2013) taxable year or any future taxable year.

If China Ceramics is determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of China Ceramics' shares and, the U.S. Holder did not make a timely QEF election for China Ceramics' first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) shares, a QEF election along with a purging election or a mark-to-market election, each as described below, such holder generally will be subject to special rules for regular U.S. federal income tax purposes with respect to:

- any gain recognized by the U.S. Holder on the sale or other disposition of its shares; and
- any "excess distribution" made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the shares of China Ceramics during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder's holding period for the shares).

Under these rules:

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the shares;
- the amount allocated to the U.S. Holder's taxable year in which the U.S. Holder recognized the gain or received the excess distribution or to the period in the U.S. Holder's holding period before the first day of the first taxable year of China Ceramics in which China Ceramics qualified as a PFIC will be taxed as ordinary income;

- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are determined to be a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above in respect to its shares in China Ceramics by making a timely QEF election (or a QEF election along with a purging election). Pursuant to the QEF election, a U.S. Holder will be required to include in income its pro rata share of China Ceramics' net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which China Ceramics' taxable year ends. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the taxable year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from China Ceramics. Upon request from a U.S. Holder, China Ceramics will endeavor to provide to the U.S. Holder, no later than 90 days after the request, such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that China Ceramics will have timely knowledge of its status as a PFIC in the future or of the required information to be provided.

If a U.S. Holder has made a QEF election with respect to its shares in China Ceramics, and the special tax and interest charge rules do not apply to such shares (because of a timely QEF election for China Ceramics' first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such shares or a QEF election, along with a purge of the PFIC taint pursuant to a purging election, as described below), any gain recognized on the sale or other taxable disposition of such shares generally will be taxable as capital gain and no interest charge will be imposed. As discussed above, for regular U.S. federal income tax purposes, U.S. Holders of a QEF are currently taxed on their pro rata shares of the QEF's earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable as a dividend to such U.S. Holders. The adjusted tax basis of a U.S. Holder's shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning shares in a QEF.

Although a determination as to China Ceramics' PFIC status will be made annually, an initial determination that it is a PFIC generally will apply for subsequent years to a U.S. Holder who held shares of China Ceramics while it was a PFIC, whether or not it met the test for PFIC status in those subsequent years. A U.S. Holder who makes the QEF election discussed above for China Ceramics' first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) shares in China Ceramics, however, will not be subject to the PFIC tax and interest charge rules discussed above in respect to such shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such shares for any taxable year of China Ceramics that ends within or with a taxable year of the U.S. Holder and in which China Ceramics is not a PFIC. On the other hand, if the QEF election is not effective for each of the taxable years of China Ceramics in which China Ceramics is a PFIC and during which the U.S. Holder holds (or is deemed to hold) shares in China Ceramics, the PFIC rules discussed above will continue to apply to such shares unless the holder files on a timely filed U.S. income tax return (including extensions) a QEF election and a purging election to recognize under the rules of Section 1291 of the Code any gain that it would otherwise recognize if the U.S. Holder sold shares for their fair market value on the "qualification" date. The qualification date is the first day of China Ceramics' tax year in which it qualifies as a QEF with respect to such U.S. Holder. The purging election can only be made if such U.S. Holder held shares on the qualification date. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder will increase the adjusted tax basis in its shares by the amount of the gain recognized and will also have a new holding period in the shares for purposes of the PFIC rules.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) shares in China Ceramics and for which China Ceramics is determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect to its shares. Instead, in general, the U.S. Holder will include as ordinary income each year the excess, if any, of the fair market value of its shares at the end of its taxable year over the adjusted tax basis in its shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis of its shares over the fair market value of its shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's adjusted tax basis in its shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the shares will be treated as ordinary income.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, including the NASDAQ Global Market, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Although China Ceramics' shares are currently listed and traded on the NASDAQ Global Market, it cannot guarantee that its shares will continue to be listed and traded on the NASDAQ Global Market. U.S. Holders should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to the shares of China Ceramics under their particular circumstances.

If China Ceramics is a PFIC and, at any time, has a foreign subsidiary that is classified as a PFIC, a U.S. Holder of China Ceramics' shares generally should be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if China Ceramics receives a distribution from, or disposes of all or part of its interest in, or the U.S. Holder were otherwise deemed to have disposed of an interest in, the lower-tier PFIC. Upon request, China Ceramics will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election with respect to the lower-tier PFIC. However, there is no assurance that China Ceramics will have timely knowledge of the status of any such lower-tier PFIC or will be able to cause the lower-tier PFIC to provide the required information. A mark-to-market election generally would not be available with respect to such a lower-tier PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) shares in a PFIC during any taxable year of the U.S. Holder may have to file an IRS Form 8621 (whether or not a QEF election or mark-to-market election is or has been made) with such U.S. Holder's U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of shares in China Ceramics should consult their own tax advisors concerning the application of the PFIC rules to such shares under their particular circumstances.

Non-U.S. Holders

Cash dividends paid or deemed paid to a Non-U.S. Holder in respect to its securities in China Ceramics generally will not be subject to U.S. federal income tax, unless the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of securities in China Ceramics unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale or other disposition and certain other conditions are met (in which case, such gain from U.S. sources generally is subject to U.S. federal income tax at a 30% rate or a lower applicable tax treaty rate).

Dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to regular U.S. federal income tax at the same regular U.S. federal income tax rates applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

Backup Withholding and Information Reporting

In general, information reporting for U.S. federal income tax purposes should apply to distributions made on the securities of China Ceramics within the United States to a U.S. Holder (other than an exempt recipient) and to the proceeds from sales and other dispositions of securities of China Ceramics by a U.S. Holder (other than an exempt recipient) to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. In addition, certain information concerning a U.S. Holder's adjusted tax basis in its securities and adjustments to that tax basis and whether any gain or loss with respect to such securities is long-term or short-term also may be required to be reported to the IRS and certain holders may be required to file an IRS Form 8938 (Statement of Specified Foreign Financial Assets) to report their interest in our securities.

Moreover, backup withholding of U.S. federal income tax, at a rate of 28% generally will apply to dividends paid on the securities of China Ceramics to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of securities of China Ceramics by a U.S. Holder (other than an exempt recipient), in each case who (a) fails to provide an accurate taxpayer identification number; (b) is notified by the IRS that backup withholding is required; or (c) in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

F. Dividends and paying agents

Not required.

G. Statement by experts

Not required.

H. Documents on display

Documents concerning us that are referred to in this document may be inspected at Junbing Industrial Zone, Anhai, Jinjiang City, Fujian Province, PRC.

In addition, we file annual reports and other information with the Securities and Exchange Commission. We file annual reports on Form 20-F and submit other information under cover of Form 6-K. As a foreign private issuer, we are exempt from the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders are exempt from the insider short-swing disclosure and profit recovery rules of Section 16 of the Exchange Act. Annual reports and other information we file with the Commission may be inspected at the public reference facilities maintained by the Commission at Room 1024, 100 F. Street, N.E., Washington, D.C. 20549, and copies of all or any part thereof may be obtained from such offices upon payment of the prescribed fees. You may call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms and you can request copies of the documents upon payment of a duplicating fee, by writing to the Commission. In addition, the Commission maintains a web site that contains reports and other information regarding registrants (including us) that file electronically with the Commission which can be assessed at <http://www.sec.gov>.

I. Subsidiary Information

Not required.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to our outstanding debts and interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used derivative financial instruments in our investment portfolio. Interest-earning instruments carry a degree of interest rate risk. As of December 31, 2012, our total outstanding loans for the continuing operations amounted to RMB 60.0 million (\$9.6 million) with interest rates in the range of 7.315% to 7.6475% per annum. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in market interest rates.

Foreign Currency Risk

We do not currently have any foreign exchange exposure as our sales and purchases are predominantly denominated in RMB. However, in the future, a proportion of our sales may be denominated in other currencies as we expand into overseas markets. In such circumstances, we anticipate our primary market risk, if any, to be related to fluctuations in exchange rates. Exchange rate risk may arise if the we are required to use different currencies for various aspects of its operations.

The Renminbi's exchange rate with the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions. The exchange rate for conversion of Renminbi into foreign currencies is heavily influenced by intervention in the foreign exchange market by the People's Bank of China. From 1995 until July 2005, the People's Bank of China intervened in the foreign exchange market to maintain an exchange rate of approximately 8.3 Renminbi per U.S. dollar. On July 21, 2005, the PRC government changed this policy and began allowing modest appreciation of the Renminbi versus the U.S. dollar. However, the Renminbi is restricted to a rise or fall of no more than 0.5% per day versus the U.S. dollar, and the People's Bank of China continues to intervene in the foreign exchange market to prevent significant short-term fluctuations in the Renminbi exchange rate. Nevertheless, under China's current exchange rate regime, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. There remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of the Renminbi against the U.S. dollar.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. While we may decide to enter into hedging transactions in the future if we are exposed to foreign currency risk, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not required.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

There has been no default of any indebtedness nor is there any arrearage in the payment of dividends.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

On November 20, 2009, pursuant to the terms of a merger and stock purchase agreement dated August 19, 2009, CHAC merged with and into China Ceramics, resulting in the Redomestication of CHAC to the British Virgin Islands as China Ceramics. At the time of the merger, each outstanding ordinary share of CHAC converted automatically into one share of China Ceramics, and each right to purchase ordinary shares in CHAC automatically converted into an equivalent right to purchase shares in China Ceramics. Accordingly, the shares and warrants became governed by China Ceramics' Amended and Restated Memorandum and Articles of Association. The rights and duties attaching to each share remained substantially equivalent. Immediately following the merger and Redomestication, and as part of the same integrated transaction, China Ceramics acquired all of the outstanding securities of Success Winner.

There are no restrictions on working capital and no removal or substitution of assets securing any class of our registered securities.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2012. Based on that evaluation, management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures as of December 31, 2012 were not effective due to the material weakness in internal control described below.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934. Our internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our management and other personnel to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external reporting purposes in accordance with IFRS. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatement. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with our policies and procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management has concluded that our internal control over financial reporting was not effective as of December 31, 2012 due to the material weakness described below.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The Company's management determined that Company's oversight of complex transactions is not effective. Specifically, the analysis by management of certain transactions and the supporting documentation generated were not sufficiently detailed to fulfill the requirements of IFRS as issued by the IASB. From time to time the Company will encounter non-routine accounting transactions that require a high level of technical accounting expertise. Non-routine accounting transactions will likely increase in frequency as the Company continues to grow and expand its operations.

As of the date of this report, we are undertaking steps to correct the aforementioned material weakness by providing relevant IFRS trainings to the current corporate accounting team, engaging an external consulting company to review our key operational processes and related internal controls for improvement in internal control system, strengthening the information-sharing process between us and our external accounting advisory consultants and implementation of more formal review procedures and documentation standards for the accounting and monitoring of non-routine and complex transactions.

Notwithstanding this material weakness, management has concluded that the consolidated financial statements included in this annual report are fairly stated in all material respects for each period presented herein.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that while our management believes that our disclosure controls and procedures provide a reasonable level of assurance; our management does not expect that our disclosure controls and procedures or internal financial controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

The Company's Board of Directors has determined that Mr. William Stulginsky is an audit committee financial expert, and "independent" as that term is defined in Item 16A(b) of Form 20-F and the NASDAQ listing standards.

ITEM 16B. CODE OF ETHICS.

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, and principal accounting officer. A copy of the Code of Business Conduct and Ethics is available on our website, <http://www.cceramics.com>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table represents the approximate aggregate fees for services rendered by Grant Thornton Shanghai, PRC for fiscal years ended December 31, 2011 and 2012:

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2012</u>
	<u>RMB</u>	<u>RMB</u>
Audit Fees	2,955,316	2,761,732
Audit Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	70,180
Total Fees	<u>2,955,316</u>	<u>2,831,912</u>

Audit Fees

Audit fees paid to Grant Thornton Shanghai, PRC comprise fees for professional services necessary to perform an audit or review in accordance with the standards of the Public Company Accounting Oversight Board, including services rendered for the audit of the Company's annual financial statements and reviews of the quarterly financial results submitted on Form 6-K. Also includes fees for services that are normally incurred in connection with statutory and regulatory filings or engagements, such as comfort letters, consents, and review of documents filed with the SEC.

Audit Related Fees

There were no audit-related fees.

Tax Fees

There were no tax fees.

All Other Fees

All other fees paid to Grant Thornton Shanghai, PRC during our fiscal year ended December 31, 2012 comprise fees for specific procedures performed as approved by the Audit Committee.

Pre-Approval of Services

Our audit committee evaluated and approved in advance the scope and cost of the engagement of an auditor before the auditor rendered its audit and non-audit services.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

The following purchases of our securities were made by our affiliates in 2012:

Period	(a) Total Number of Shares(or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Program	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
June 2012(1)	9,172,905 shares	\$ 0.00001/share	-	-
December 2012(2)	5,000 shares	\$ 2.36/share	-	-

- (1) On June 15, 2012, Sound Treasure Limited, an entity controlled by our director and Chief Executive Officer, Mr. Huang Jia Dong, purchased 5,212,905 shares of common stock, and certain other individuals related to Mr. Huang purchased an aggregate of 3,960,000 shares of common stock (an aggregate of 9,172,905 shares of common stock) from certain of our stockholders for an aggregate purchase price of \$100.00.
- (2) On December 15, 2012, our director, William L. Stulginsky, purchased 5,000 shares of common stock for an aggregate purchase price of \$11,800.00.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT.

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Pursuant to the home country rule exemption set forth under Nasdaq Listing Rule 5615(a)(3), we elected not to hold an annual meeting of shareholders in 2011. Neither our Memorandum and Articles of Association nor the law of the British Virgin Islands require us to hold an annual meeting of shareholders. We held an annual meeting of shareholders in May 2012. We did not make use of any other exemptions from the corporate governance standards set forth in the Nasdaq Listing Rules in 2011 or 2012.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The financial statements are filed as part of this annual report beginning on page F-1.

ITEM 19. EXHIBITS

Exhibit No.	Description
1.1	Amended and Restated Memorandum and Articles of Association of China Ceramics Co., Ltd.(1)
1.2	Memorandum and Articles of Association of Success Winner Limited(2)
1.3	Memorandum and Articles of Association of Stand Best Creation Limited(2)
1.4	Operation Charter of Jinjiang Hengda Ceramics Co., Ltd.(2)
2.1	Specimen Unit Certificate(3)
2.2	Specimen Common Stock Certificate(3)
3.1	Form of Voting Agreement(2)
4.1	Merger and Stock Purchase Agreement among CHAC, China Ceramics Co., Ltd., Hengda, Success Winner and the Seller(2)
4.2	Form of Registration Rights Agreement among CHAC and the founders(3)
4.3	Form of Earn-Out Escrow Agreement(2)
4.4	Form of Indemnity Escrow Agreement(2)
4.6	Form of Lock-Up Agreement for CHAC founders(2)
4.7	Form of Lock-Up Agreement(2)
4.8	Acquisition Agreement, dated November 19, 2009, by and between Jinjiang Hengda Ceramics Co., Ltd., all of the shareholders of Jiangxi Hengdali Constructional Ceramics Co., Ltd., and Jiangxi Hengdali Constructional Ceramics Co., Ltd(8)
4.9	Administrative Services Agreement by and between China Ceramics Co., Ltd. and Stuart Management Co., dated December 1, 2009(8)
4.10	License Agreement between Huang Jia Dong and Jinjiang Hengda Ceramics Co., Ltd.(6)
4.11	China Ceramics Co., Ltd. 2010 Incentive Compensation Plan(7)
4.12	Employment Agreement, dated as of February 1, 2013, by and between China Ceramics and Huang Jia Dong
4.13	Employment Agreement, dated as of February 1, 2013, by and between China Ceramics and Su Pei Zhi
4.14	Employment Agreement, dated as of February 1, 2013, by and between China Ceramics and Su Wei Feng
4.15	Employment Agreement, dated as of February 1, 2013, by and between China Ceramics and Hen Man Edmund
8.1	List of Subsidiaries(5)
11.1	Code of Business Conduct and Ethics(8)
12.1	Certification of the Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
12.2	Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
13.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 80 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Grant Thornton, an independent registered public accounting firm
15.2	Press Release, dated April 24, 2013

(1) Incorporated by reference to Annexes C and D of China Ceramics' Prospectus on Form 424B3 filed with the SEC on November 13, 2009.

(2) Incorporated by reference to China Ceramics' Registration Statement on Form F-4 (File No. 333-161557).

(3) Incorporated by reference to exhibits of the same number filed with CHAC's Registration Statement on Form F-1 or amendments thereto (File No. 333-145085).

(4) Incorporated by reference to CHAC's Form 8-K, dated November 21, 2007.

- (5) Incorporated by reference to exhibits of the same number filed with China Ceramics' Registration Statement on Form F-1 (File No. 333-164784).
- (6) Incorporated by reference to exhibits of the same number filed with China Ceramics' Registration Statement on Form F-1 (File No. 333-170237).
- (7) Incorporated by reference to Annex A to Exhibit 99.1 filed with China Ceramics' Report of Foreign Private Issuer on Form 6-K filed with the SEC on November 20, 2010
- (8) Incorporated by reference to China Ceramics' Annual Report on Form 20-F filed with the SEC on May 17, 2010.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CHINA CERAMICS CO., LTD.

April 24, 2013

By: /s/ Huang Jia Dong

Name: Huang Jia Dong

Title: Chief Executive Officer (Principal Executive Officer)

CHINA CERAMICS CO., LTD.

April 24, 2013

By: /s/ Hen Man Edmund

Name: Hen Man Edmund

Title: Chief Financial Officer (Principal Financial Officer)

[This page intentionally left blank.]

China Ceramics Co., Ltd. and Its Subsidiaries

Index to Consolidated Financial Statements

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010	F-3
Consolidated Statements of Financial Position as of December 31, 2012, 2011 and 2010	F-4
Consolidated Statements of Changes in Equity for the years ended December 31, 2012, 2011 and 2010	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010	F-6
Notes to the Consolidated Financial Statements	F-7

China Ceramics Co., Ltd. and Its Subsidiaries

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
China Ceramics Co., Ltd.

We have audited the accompanying consolidated statements of financial position of China Ceramics Co., Ltd and its subsidiaries (the “Company”) as of December 31, 2012, 2011 and 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years ended December 31, 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Ceramics Co., Ltd. and its subsidiaries as of December 31, 2012, 2011 and 2010, and the results of their operations and their cash flows for each of the three years ended December 31, 2012 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ GRANT THORNTON

Shanghai, PRC
April 24, 2013

China Ceramics Co., Ltd. and Its Subsidiaries
Consolidated Statements of Comprehensive Income

	Notes	For the year ended December 31,		
		2012	2011	2010
		RMB'000	RMB'000	RMB'000
Revenue	5	1,444,891	1,491,574	1,068,551
Cost of sales		(1,063,892)	(1,024,336)	(729,576)
Gross profit		380,999	467,238	338,975
Other income	5	378	5,422	3,966
Selling and distribution expenses		(11,378)	(11,832)	(7,176)
Administrative expenses		(29,974)	(46,079)	(25,524)
Finance costs	6	(9,319)	(11,067)	(6,170)
Other expenses		(1,943)	(3,178)	-
Profit before taxation	7	328,763	400,504	304,071
Income tax expense	8	(84,932)	(106,065)	(78,597)
Profit attributable to shareholders		243,831	294,439	225,474
Other comprehensive income				
Exchange loss on translation of financial statements of foreign operations		(31)	(234)	(27)
Total comprehensive income for the year		243,800	294,205	225,447
Earnings per share for profit attributable to shareholders during the year				
Basic (RMB)	9	11.93	14.41	16.96
Diluted (RMB)	9	11.93	14.41	16.96

The annexed notes form an integral part of and should be read in conjunction with these Consolidated Financial Statements

China Ceramics Co., Ltd. and Its Subsidiaries

Consolidated Statements of Financial Position

	Notes	As at December 31,		
		2012 RMB'000	2011 RMB'000	2010 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	10	795,983	843,429	459,161
Land use rights	11	30,598	31,267	31,936
Goodwill	23	3,735	3,735	3,735
Deferred tax asset	8	1,059	-	-
		831,375	878,431	494,832
Current assets				
Inventories	12	290,603	291,781	177,217
Trade receivables	13	455,885	473,209	282,976
Other receivables and prepayment	14	4,092	26,377	8,907
Cash and bank balances	15	89,448	42,149	263,495
		840,028	833,516	732,595
Non-current liabilities				
Deferred tax liabilities	8	1,052	1,087	1,122
Interest-bearing bank borrowings	18	50,000	60,000	25,000
		51,052	61,087	26,122
Current liabilities				
Trade payables	16	115,123	252,682	178,382
Accrued liabilities and other payables	17	46,373	43,022	44,781
Amount owed to related parties	24	4,796	1,327	1,327
Interest-bearing bank borrowings	18	10,000	125,000	72,000
Income tax payable		869	35,090	22,576
		177,161	457,121	319,066
Commitments	25			
Net current assets		<u>662,867</u>	<u>376,395</u>	<u>413,529</u>
Net assets		<u>1,443,190</u>	<u>1,193,739</u>	<u>882,239</u>
EQUITY				
Share capital	19	137	124	112
Reserves	20	1,443,053	1,193,615	882,127
Total shareholder's equity		<u>1,443,190</u>	<u>1,193,739</u>	<u>882,239</u>

The annexed notes form an integral part of and should be read in conjunction with these Consolidated Financial Statements

China Ceramics Co., Ltd. and Its Subsidiaries

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Reverse recapitalization reserve	Merger Reserve	Share- based payment reserve	Statutory reserve	Retained earnings	Currency translation reserve	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 19)		(Note 20(e))	(Note 20(c))	(Note 20(d))	(Note 20(a))		(Note 20(b))	
Balance at January 1, 2010	61	507,888	(507,235)	58,989	98,300	39,732	307,600	(238)	505,097
Issuance of new shares	31	158,467	-	-	-	-	-	-	158,498
Warrants Exchange	20	(20)	-	-	-	-	-	-	-
Purchase of warrants	-	(6,803)	-	-	-	-	-	-	(6,803)
Transactions with owners	51	151,644	-	-	-	-	-	-	151,695
Net profit for the year	-	-	-	-	-	-	225,474	-	225,474
Other comprehensive income -Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(27)	(27)
Total comprehensive income for the year	-	-	-	-	-	-	225,474	(27)	225,447
Transfer to statutory reserve	-	-	-	-	-	23,076	(23,076)	-	-
Balance at December 31, 2010	112	659,532	(507,235)	58,989	98,300	62,808	509,998	(265)	882,239
Issuance of new shares	12	(12)	-	-	-	-	-	-	-
Employee share-based payment options	-	-	-	-	17,295	-	-	-	17,295
Transactions with owners	12	(12)	-	-	17,295	-	-	-	17,295
Net profit for the year	-	-	-	-	-	-	294,439	-	294,439
Other comprehensive income -Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(234)	(234)
Total comprehensive income for the year	-	-	-	-	-	-	294,439	(234)	294,205
Transfer to statutory reserve	-	-	-	-	-	31,800	(31,800)	-	-
Balance at December 31, 2011	124	659,520	(507,235)	58,989	115,595	94,608	772,637	(499)	1,193,739
Issuance of new shares	13	(13)	-	-	-	-	-	-	-
Employee share-based payment options	-	-	-	-	5,651	-	-	-	5,651
Transactions with owners	13	(13)	-	-	5,651	-	-	-	5,651
Net profit for the year	-	-	-	-	-	-	243,831	-	243,831
Other comprehensive income -Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(31)	(31)
Total comprehensive income for the year	-	-	-	-	-	-	243,831	(31)	243,800
Transfer to statutory reserve	-	-	-	-	-	25,347	(25,347)	-	-
Balance at December 31, 2012	137	659,507	(507,235)	58,989	121,246	119,955	991,121	(530)	1,443,190

The annexed notes form an integral part of and should be read in conjunction with these Consolidated Financial Statements

China Ceramics Co., Ltd. and Its Subsidiaries

Consolidated Statements of Cash Flows

	Notes	For the year ended December 31,		
		2012 RMB'000	2011 RMB'000	2010 RMB'000
Cash flows from operating activities				
Profit before taxation		328,763	400,504	304,071
Adjustments for				
Amortization of land use rights	7/11	669	669	668
Depreciation of property, plant and equipment	7/10	66,186	48,410	30,195
Loss/(gain) on disposal of property, plant and equipment		512	1,155	(485)
Provision for inventory	12	4,237	-	-
Share-based compensation	22	5,651	17,295	-
Finance costs	6	9,319	11,067	6,170
Interest income	5	(380)	(494)	(377)
Operating profit before working capital changes		414,957	478,606	340,242
(Increase) in inventories		(3,059)	(114,564)	(51,086)
(Increase)/decrease in trade receivables		17,324	(190,233)	(12,136)
(Increase)/decrease in other receivables and prepayments		22,285	(17,470)	(4,623)
Increase/(decrease) in trade payables		(137,559)	74,301	40,578
Increase/(decrease) in accrued liabilities and other payables		6,870	(2,381)	(29,869)
Cash generated from operations		320,818	228,259	283,106
Interest paid		(9,370)	(10,446)	(6,170)
Income tax paid		(120,247)	(93,586)	(72,695)
<i>Net cash generated from operating activities</i>		191,201	124,227	204,241
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment		269	7,772	4,092
Acquisition of property, plant and equipment	10	(19,520)	(441,605)	(222,246)
Interest received		380	494	377
Acquisition of subsidiary, net of cash acquired	23	-	-	(36,311)
<i>Net cash used in investing activities</i>		(18,871)	(433,339)	(254,088)
Cash flows from financing activities				
Bank borrowings obtained		-	173,000	72,700
Repayment of short-term loans		(125,000)	(85,000)	(62,200)
Public offering of new shares	19	-	-	159,551
Purchase of warrants	19	-	-	(6,803)
<i>Net cash generated from/(used in) financing activities</i>		(125,000)	88,000	163,248
Net increase/(decrease) in cash and cash equivalents		47,330	(221,112)	113,401
Cash and cash equivalents, beginning of year		42,149	263,495	150,121
Effect of foreign exchange rate differences		(31)	(234)	(27)
Cash and cash equivalents, end of year	15	89,448	42,149	263,495

The annexed notes form an integral part of and
should be read in conjunction with these Consolidated Financial Statements

1. GENERAL INFORMATION

China Ceramics Co., Ltd. (“China Ceramics”) is a British Virgin Islands company operating under the BVI Business Companies Act (2004) with its shares listed on the NASDAQ (“symbol: CCCL”). Its predecessor company, China Holdings Acquisition Corp. (“CHAC”), was incorporated in Delaware on June 22, 2007, and was organized as a blank check company for the purpose of acquiring, through a stock exchange, asset acquisition or other similar business combination, or controlling, through contractual arrangements, an operating business, that has its principal operations in Asia. The Company has no operations and has no assets or liabilities of consequence outside its investments in its operating subsidiaries. The head office of the Company is located at Junbing Industrial Zone, Jinjiang City, Fujian Province, P.R.C.

On November 20, 2009, CHAC merged with and into China Ceramics, its wholly owned British Virgin Islands subsidiary, with China Ceramics surviving the merger (the “Redomestication”). On the same day, pursuant to the terms of a merger and stock purchase agreement dated August 19, 2009 (the “acquisition agreement”), China Ceramics acquired all of the outstanding securities of Success Winner Limited (“Success Winner”) held by Mr. Wong Kung Tok in exchange for US\$ 10.00 and 5,743,320 shares of China Ceramics (the “Success Winner Acquisition”). The total number of issued and outstanding shares of China Ceramics immediately after the acquisition was 8,950,171 (Note 19).

Prior to the Success Winner Acquisition on November 20, 2009, neither CHAC nor China Ceramics had an operating business.

Jinjiang Hengda Ceramics Co., Ltd. (“Hengda”), which became the operating entity of China Ceramics in connection with the Success Winner Acquisition, was established on September 30, 1993 under the laws of PRC with 15% of its equity interest owned by Fujian Province Jinjiang City Anhai Junbing Hengda Construction Material Factory (“Anhai Hengda”) and 85% owned by Chi Wah Trading Import and Export Company (“Chi Wah”). Chi Wah is a sole proprietor under the laws of Hong Kong with its legal and equitable interest solely owned by Mr. Wong Kung Tok. Anhai Hengda was owned by Mr. Wong Kung Tok’s family, which was considered an act-in-concert party of Mr. Wong Kung Tok for accounting purposes.

Hengda is principally engaged in the manufacture and sale of ceramic tiles used for exterior siding and for interior flooring and design in residential and commercial buildings.

Hengda’s owners reorganized the corporate structure in 2008 and 2009 (the “Hengda Reorganisation” or the “Reorganisation”), as follows:

Stand Best Creation Limited (“Stand Best”) was established on January 17, 2008 under the laws of Hong Kong with its paid-up share capital being HK\$1.00 divided into 1 ordinary share solely owned by Mr. Wong Kung Tok. The company acquired 100% of Hengda’s equity interest from Anhai Hengda and Chi Wah on April 1, 2008 at the consideration of RMB 58,980,000.

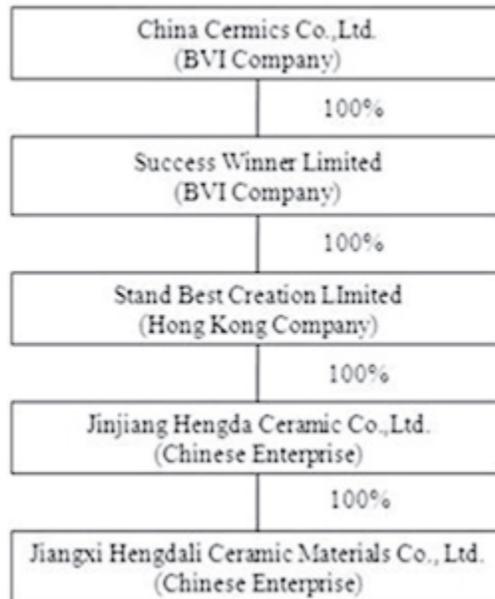
Success Winner Limited (“Success Winner”) was incorporated in British Virgin Islands on May 29, 2009 as a limited liability company. The paid-up and issued capital of the company is US\$1 divided into 1 ordinary share solely owned by Mr. Wong Kung Tok.

On June 30, 2009, through a capitalization agreement between Mr. Wong Kung Tok and Stand Best, Stand Best capitalized a shareholder loan due to Mr. Wong Kung Tok in the amount of HK\$67.9 million (equivalent to approximately RMB58.9 million) through the issuance of an aggregate of 9,999 ordinary shares of HK\$1.00 par value which Mr. Wong Kung Tok allotted to Success Winner.

On the same date, Mr. Wong Kung Tok transferred his ownership of the remaining 1 ordinary share of Stand Best to Success Winner, thus making Success Winner the sole parent company of Stand Best.

On January 8, 2010, Hengda completed the acquisition of all voting equity interests of Jiangxi Hengdali Ceramic Materials Co., Ltd. (“Hengdali” or the “Gaoan Facility”), located in Gaoan, Jiangxi Province (the “Hengdali Acquisition”). Hengdali manufactures and sells ceramics tiles used for exterior siding and for interior flooring. In total, Hengda assumed loans of RMB 60.0 million and paid cash consideration of RMB185.5 million for the acquisition.

China Ceramics and its subsidiaries’ (the “Company”) corporate structure as at December 31, 2012 is as follows:



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Company’s financial statements, if any, are disclosed in Note 3.

The consolidated financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on April 22, 2013.

2.2 Basis of consolidation

The Success Winner Acquisition on November 22, 2009 has been accounted for as a reverse recapitalization. The acquisition agreement resulted in the former owner of Success Winner obtaining effective operating and financial control of the combined entity. Prior to the acquisition, China Ceramics had no operating business. Accordingly, the acquisition does not constitute a business combination for accounting purposes and is accounted for as a capital transaction. That is, the transaction is in substance a reverse recapitalization, equivalent to the issuance of equity interests by Success Winner for the net monetary assets of China Ceramics accompanied by a recapitalization. The consolidated financial statements are a continuation of the financial statements of Success Winner. The assets and liabilities of China Ceramics are recognized at their carrying amounts at the date of acquisition with a corresponding credit to the consolidated equity and no goodwill or other intangible assets are recognized. The equity of the combined entity recognized at the date of acquisition represents the equity balances of Success Winner together with the deemed proceeds from the reverse recapitalization determined as described above. However, the equity structure presented in the consolidated financial statements (number and values of equity instruments issued) reflects the equity structure of the legal parent, China Ceramics. Costs directly attributable to the transaction have been debited to equity to the extent of net monetary assets received.

Success Winner and its subsidiaries as a group is regarded as a continuing entity resulting from the Hengda Reorganisation since the management of all the entities which took part in the Reorganisation was controlled by the same director and shareholder before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate shareholders that existed prior to the Reorganisation. Accordingly, the reorganization has been accounted for as a reorganization under common control and the financial statements of Success Winner, Stand Best and Hengda have been combined on the basis of merger accounting for all periods presented.

The assets and liabilities of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized as consideration for goodwill or excess of the acquirer's interest in the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or the date of their incorporation/establishment or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The Hengdali Acquisition on January 8, 2010 has been accounted for as a business combination using the acquisition method. Hengdali is a subsidiary of the Company, and the Company has the power to govern the financial and operating policies which accompanies its shareholding of 100% of the voting rights in Hengdali. Therefore, Hengdali as a subsidiary is fully consolidated from January 8, 2010, the date on which control was transferred to the Group.

The accounting for the Hengdali Acquisition under the acquisition method, the Company treats the consideration transferred for the acquisition of Hengdali as the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in this business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

The Company's financial statements consolidate those of the Company and all of its subsidiaries as of December 31, 2012. Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of December 31.

Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

2.3 Foreign currency translation

The functional currency of China Ceramics is the United States dollars ("US dollars" or "US\$"). The functional currency of Success Winner, Stand Best, Hengda and Hengdali is Renminbi ("RMB"), as their principal operations are predominantly conducted in the People's Republic of China ("PRC") where the Company generates most of its revenue and incurs most of expenses. The financial statements are presented in RMB (to the nearest thousand), being the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognized in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Company's presentation currency, have been converted into Renminbi. Assets and liabilities have been translated into Renminbi at the closing rates at the reporting date. Income and expenses have been converted into Renminbi at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognized in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.4 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

For the buildings owned collectively by the Company and other three companies, the cost of buildings are stated according to the amount paid by the Company for its part of buildings, which represents for the Company's interests in the buildings.

All buildings are depreciated over their expected useful lives of 40 years.

Depreciation on other assets is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates annually:

Buildings	40 years
Plant and machinery	10 years
Motor vehicles	10 years
Office equipment	5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and building.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.5 Land use rights

Upfront payments made to acquire land held under an operating lease are stated at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated on a straight line basis over the leasing period of 50 years.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.7 Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overhead.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

2.9 Financial instruments

Recognition, initial measurement and recognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at fair value through profit or loss ("FVTPL")
- Held-to-maturity ("HTM") investments
- Available-for-sale ("AFS") financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets are recognized in profit and loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue. After initial recognition, these are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and trade receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. Transaction costs are expensed as incurred. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Company does not have any financial assets classified as FVTPL.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortized cost using the effective interest method. The Company does not have any financial assets classified as HTM.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company does not have any financial assets classified as AFS.

All AFS financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income for AFS equity investment, all other financial assets except AFS equity investment are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized. Interest calculated using the effective interest method and dividends are recognized in profit or loss within finance income.

Reversals of impairment losses for AFS financial assets are recognized in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognized. For AFS equity investments, impairment reversals are not recognized in profit loss and any subsequent changes in fair value are recognized in other comprehensive income.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. On the date of reversal of impairment, the carrying amount of the financial assets cannot exceed its amortized cost had the impairment not been recognized.

Classification and subsequent measurement of financial liabilities

Financial liabilities

Financial liabilities are classified as FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

- i Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payable and accrued liabilities.
- ii Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive loss. The Company does not have any financial liabilities classified as FVTPL.

2.10 Leases

Financial leases refers to the situation that the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset.

All other leases are treated as operating leases. Where the Company has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

All the leases of the Company are operating leases for the years ended December 31, 2012, 2011 and 2010.

2.11 Provisions and contingencies

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Company are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of rebates and discounts. The Company pays rebates to some distributors on their annual cash collections. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognized as follows:

Sales of goods are recognized upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods. Once goods are accepted by a customer, the Company does not have the obligation to accept the return of the goods to the Company from the customer.

Interest income is recognized on a time-proportion basis using the effective interest method.

2.14 Impairment of non-financial assets

Impairment testing is made on the Company's goodwill at each reporting date. Property, plant and equipment and land use rights are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. The Company has not recognized any impairment to date.

2.15 Employee benefits

Retirement benefits

The employees of the Company's PRC subsidiary are required to participate in a central pension scheme operated by the local municipal government. Contributions are recognized as an expense in profit or loss as employees render services during the year. The Company's obligation under these plans is limited to the fixed percentage contributions payable.

Share-based employee remuneration

The Company operates equity-settled share-based remuneration plans for its employees. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. If the fair value of the goods and services received can't be measured reliably, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions for example profitability and sales growth targets and performance conditions.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to share-based payment reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. The number of forfeitures likely to occur is estimated on grant date and is revised as deemed necessary.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

2.16 Borrowing costs

Borrowing costs refers to interest expenses and other cost incurs in correction of fund borrowing. Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are recognized during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are recognized as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realized, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- a) the Company has the legally enforceable right to set off the recognized amounts; and
- b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company presents deferred tax assets and deferred tax liabilities in net if, and only if,

- a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to release the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.18 Research and development activities

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognized as intangible assets provided they meet the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Company's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated products or knowhow that meet the above recognition criteria are recognized as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

2.19 Segment reporting

The Company identifies operating segments and prepares segment information based on the regular internal financial information reported to the Chief Executive Officer and executive directors, who are the Company's chief operating decision maker, for their decisions about resources allocation to the Company's business components and for their review of the performance of those components.

Business segment

The Company operates principally in the manufacturing and sale of medium to high-end ceramic tiles. The Chief Executive Officer and executive directors regularly review the Company's business as one business segment.

Geographical segment

The business of the Company is engaged entirely in the PRC. The Chief Executive Officer and executive directors regularly review the Company's business as one geographical segment.

2.20 Related parties

- (a) A person, or a close member of that person's family, is related to the group if that person:
 - (i) has control or joint control over the group;
 - (ii) has significant influence over the group; or
 - (iii) is a member of the key management personnel of the group or the group's parent.
- (b) An entity is related to the group if any of the following conditions applies:
 - (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at arm length basis.

2.21 Equity-settled share based payments

The Company has received services from financial advisors related to the Success Winner Acquisition (Note 1) as consideration for transfer of shares by a shareholder. Since financial advisory services are predominantly compensated by contingent shares, the fair value of which could not be estimated reliably, the services were measured indirectly at the cost of the equity instruments granted.

2.22 Earnings per share

Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the periods. Diluted EPS is computed similar to basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted net earnings per share is based on the assumption that all dilutive warrants were exercised. Dilution is computed by applying the treasury stock method. Under this method, the warrants are assumed to be exercised at the date of the reverse recapitalization, and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of new or amended IFRSs

In the current year, the Company has applied for the first time the following new standards, amendments and interpretations (the “new IFRSs”) issued by the IASB, which are relevant to and effective for the Company’s financial statements for the annual period beginning on January 1, 2012. None of these standards and interpretations had a significant effect on the consolidated financial statements of the Company. The revised standard and interpretation is as follow:

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Asset

Amendments to IFRS 7 Financial Instruments: Disclosures- Transfers of Financial Assets

3.2 Accounting Standards issued but not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company’s financial statements.

IAS 1 Presentation of Items of Other Comprehensive Income

On June 16, 2011, the IASB issued amendments to IAS 1 Presentation of Items of Other Comprehensive Income. The Amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012 and require entities to group items presented in other comprehensive income (OCI) into those that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. The existing option to present items of OCI either before tax or net of tax remains unchanged; however, if the items are presented before tax, then the Amendments to IAS 1 require the tax related to each of the two groups of OCI to be shown separately. The amendments affects presentation only and has no impact on our financial position or performance.

IFRS 9 Financial Instruments (IFRS 9)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Company's management has yet to assess the impact of this new standard on the Company's consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

IFRS 10 Consolidated Financial Statements (IFRS 10)

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary remain the same. It is effective for annual periods on or after January 1, 2013. The Company's management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Company's consolidated financial statements.

IFRS 11 Joint Arrangements (IFRS 11)

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. It is effective for annual periods on or after January 1, 2013. The Company's management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Company's consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. It is effective for annual periods on or after January 1, 2013. The Company's management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Company's consolidated financial statements.

Transition guidance for IFRS 10, 11, 12

Subsequent to issuing the new standards the IASB made some changes to the transitional provisions in IFRS 10, IFRS 11 and IFRS 12. The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also makes changes to IFRS 11 and IFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

The new guidance is also effective for annual periods on or after 1 January 2013.

IFRS 13 Fair Value Measurement (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. The Company's management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Company's consolidated financial statements.

Amendments to IAS 19 Employee Benefits (IAS 19 Amendments)

The IAS 19 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognize all actuarial gains and losses arising in the reporting period
- changes the measurement and presentation of certain components of defined benefit cost
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The IAS 19 Amendments are effective for annual periods beginning on or after January 1, 2013 and will apply retrospectively. The Company's management have yet to assess the impact of this revised standard on the Company's consolidated financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Qualitative and quantitative disclosures have been added to IFRS 7 Financial Instruments: Disclosures relating to gross and net amounts of recognized financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Amendments are effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. The Company does not anticipate a material impact on the Company's consolidated financial statements from these Amendments.

Annual Improvements 2009-2011 (the Annual Improvements)

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Company are summarized below:

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Tax effect of distribution to holders of equity instruments:

- addresses a perceived inconsistency between IAS 12 'Income Taxes' (IAS 12) and IAS 32 'Financial Instruments: Presentation' (IAS 32) with regards to recognizing the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction
- clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

Segment information for total assets and liabilities:

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate a material impact on the Company's consolidated financial statements from these Amendments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 40 years. The carrying amounts of the Company's property, plant and equipment as at December 31, 2012, 2011 and 2010 were RMB 795,983,000, RMB 843,429,000 and RMB 459,161,000, respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Amortization of land use rights

Land use rights are amortized on a straight-line basis over their estimated useful lives. Management estimates the useful lives of land use rights to be 50 years. The carrying amounts of the Company's land use rights as at December 31, 2012, 2011 and 2010 were RMB 30,598,000, RMB 31,267,000 and RMB 31,936,000, respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future amortization charges could be revised.

Income tax

The Company has exposure to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Company's income tax payable as at December 31, 2012, 2011 and 2010 were RMB 869,000, RMB 35,090,000 and RMB 22,576,000, respectively.

Impairment of trade receivables

The Company's management assesses the collectability of trade receivables. This estimate is based on the credit history of the Company's customers and the current market conditions. Management assesses the collectability of trade receivables at the balance sheet date and makes the provision, if any. The carrying amounts of the Company's trade receivables as at December 31, 2012, 2011 and 2010 were RMB 455,885,000, RMB 473,209,000 and RMB 282,976,000, respectively.

Net realizable value of inventories

Net realizable value of inventories is the management's estimation of future selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of various market factors. The carrying amounts of the Company's inventories as at December 31, 2012, 2011 and 2010 were RMB 290,603,000, RMB 291,781,000 and RMB 177,217,000, respectively.

Impairment of long-lived assets

The Company tests long-lived assets for possible impairment if an event occurs or circumstances change that would more likely than not reduce the fair value of an asset group below its carrying amount. Asset recoverability is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the discounted future cash flows. In calculating the future cash flows certain assumptions are required to be made in respect of highly uncertain matters such as revenue growth rates, gross margin percentages and terminal growth rates.

In 2010 and 2011, management did not identify any impairment indicator for long-lived assets. In 2012, China's real estate market has been under pressure due to speculative activities and government policies that restricted construction. Under such circumstances, the Company received less sales orders from its customers and then decreased its production volume, which led to some production lines not being used at the end of 2012. In addition, the Company decreased its sales price in order to increase sales volume in December 2012, which resulted in reduced gross profit margins. In addition, the Company's stock price suggested that market capitalization was less than the carrying amount of the net assets of the Company. Hence, management deemed these factors as impairment indicators for the long-lived assets. The Company engaged an external appraiser to assess the property, plant, equipment and land use right values as of December 31, 2012. The external appraiser computed the fair value less costs to sell and value in use valuation and issued a valuation report.

For value in use method, the discounted cash flow analysis is based on the Company's projected cash flow from 2013 through 2017. Net revenue was based on existing and new projected contracts, annual revenue volume growth rates between 0%-8.3% and selling price increases between 0%-5.6%. Gross margin rates were estimated between 25.9% - 30.1% in the projection period based on historical averages. At the end of the five year forecast period, a terminal value based on a long term growth rate is used. The key assumptions employed in arriving at the estimates of future cash flows are subjective and include projected EBITDA, net cash flows, discount rates, capital expenditure, working capital requirement and the duration of the discounted cash flow model. The cash flows were discounted using a weighted average cost of capital of 22%, which was management's best estimate based on the Company's capital structure and external industry data. In the assessment of the replacement cost of property, plant, equipment and land use rights, the valuation made reference to comparables sales with appropriate adjustments, and the original or replacement cost depreciated according to economic life, age and land use term. The assumptions and estimates used in the value in use and fair value less cost to sell valuation were derived from a combination of internal and external factors based on historical experience and management's best estimate.

Based on the appraiser's report, there was no impairment of long-lived assets as of December 31, 2012. There was no impairment loss for long-lived assets as of December 2011 and 2010.

Shares-based payment transaction

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 21.

4.2 Critical judgments in applying the entity's accounting policies

Accounting for the Success Winner Acquisition

The Company has accounted for the Success Winner Acquisition (Note 1) as a reverse recapitalization. The management believes the acquisition agreement resulted in the former owner of Success Winner obtaining effective operating and financial control of the combined entity through 1) the owner's majority shareholder interest in the combined entity immediately after the acquisition, 2) his significant representation on the Board of Directors and 3) Success Winner management being named to all the senior executive positions in the combined entity.

Prior to the acquisition, China Ceramics had no operating business. Accordingly, the management believes the acquisition does not constitute a business combination and treats it as a capital transaction for accounting purposes.

Accounting for the equity-settled share-based payment to financial advisors

The management has measured its equity-settled share-based payment to some financial advisors indirectly at the cost of the equity instruments granted as the fair value of the services could not be estimated reliably

The management has determined this equity-settled share-based payment, together with the audit, legal and consulting fees incurred for the Success Winner Acquisition (Note 1), were all incremental transaction costs directly related to the reverse recapitalization transaction and has charged these costs directly to equity to the extent of net monetary assets received and charged the incremental transaction costs in excess of the net monetary assets received to expense.

Determining the date when the Company obtained control of the Gaoan Facility (Note 23)

The management has regarded January 8, 2010, the date when the registration and business license was officially transferred from the Gaoan Facility's former shareholders to the Company and when an executive officer was appointed by the Company to take over controls over the Facility's operating and financing activities, as the date the Company obtained control of the Gaoan Facility.

5. REVENUE AND OTHER INCOME

Revenue comprises the fair value of the consideration received or receivable for the sale of goods. An analysis of the Company's revenue and other income is as follows:

	Year ended December 31,		
	2012	2011	2010
	RMB'000	RMB'000	RMB'000
<u>Revenue</u>			
Sale of goods	1,444,891	1,491,574	1,068,551
<u>Other income</u>			
Sale of scrap materials	-	4,921	4,475
Interest income	380	494	377
Net foreign exchange gains/(losses)	(2)	7	(886)
	<u>378</u>	<u>5,422</u>	<u>3,966</u>

6. FINANCE COSTS

Finance costs comprise interest expense on the Company's bank borrowings:

	Year ended December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Interest on bank borrowings	9,319	11,067	6,170

7. EXPENDITURES BY NATURE

The Company's profit before taxation is arrived at after charging:

	Year ended December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Cost of inventories recognized as expense ⁽¹⁾	1,056,692	1,020,847	727,829
Provision for inventories	4,237	-	-
Depreciation expenses	66,186	48,410	30,195
Amortization of land use rights	669	669	668
Directors' remuneration			
- salaries and related cost	1,368	1,376	1,342
- retirement scheme contribution	13	13	10
- share-based payments	3,901	11,938	-
Key management personnel (other than directors)			
- salaries and related cost	415	415	380
- retirement scheme contribution	9	9	7
- share-based payments	1,750	5,357	-
Research and development personnel			
- salaries and related cost	1,228	1,228	1,023
- retirement scheme contribution	68	68	68
Other personnel			
- salaries and related cost	62,479	64,074	45,788
- retirement scheme contribution	9,731	9,022	6,083
Other research and development expenses	17,333	16,937	15,304
Operating lease expenses	11,552	11,855	12,526

- (1) Cost of inventories recognized as expense included staff costs, depreciation and amortization expense, operating lease charges and provision for inventories, which amount is also included in the respective total amounts disclosed separately for each of these types of expenses.

8. INCOME TAX EXPENSE

	Year ended December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Current year provision-PRC Income Tax:			
Current tax expense	86,026	106,100	78,631
Deferred tax expense	(1,094)	(35)	(34)
	84,932	106,065	78,597

As of December 31, 2012, the deferred tax asset was RMB 1,059,000, in respect of the temporary inventory provision expenses.

As of December 31, 2012, 2011 and 2010, there were RMB 1,052,000, RMB 1,087,000 and RMB 1,122,000 defer tax liabilities, respectively, in respect of the temporary differences in depreciation expenses arising from the acquisition accounting for the Hengdali Acquisition.

Reconciliation between income tax expense and profit before taxation at applicable tax rates is as follows:

	Year ended December 31,		
	2012	2011	2010
	RMB'000	RMB'000	RMB'000
Profit before taxation	328,763	400,504	304,071
Tax calculated at a tax rate of 25%	82,191	100,126	76,018
Tax effect on non-deductible expenses	95	137	-
Tax effect on different tax rate of group entities operation in other jurisdictions	2,646	5,802	2,579
	<u>84,932</u>	<u>106,065</u>	<u>78,597</u>

British Virgin Islands Profits Tax

The Company has not been subject to any taxation in this jurisdiction for the years ended December 31, 2012 and 2011 (2010: Nil).

Hong Kong Profits Tax

No Hong Kong profits tax has been provided as the Company has no assessable profit arising in Hong Kong for the years ended December 31, 2012 and 2011 (2010: Nil).

PRC Income Tax

Hengda and Hengdali determined and paid the corporate income tax in accordance with "PRC Enterprise Income Tax Law", and the applicable income tax rate in this year is 25%.

Any dividend paid by a PRC entity to an overseas parent made out of profits earned after January 1, 2008 will be subject to up to 10% withholding tax. Hengda, the Company's PRC subsidiary, has cumulative undistributed earnings of RMB 1,057,089,000, RMB 827,915,000 and RMB 541,961,000 as of December 31, 2012, 2011 and 2010, which are included in consolidated retained earnings. Accordingly, no provision has been made for deferred taxes related to future repatriation of these earnings. If the Company were to distribute these cumulated earnings in the foreseeable future, the deferred tax liabilities of RMB105,709,000, RMB 82,792,000 and RMB 54,196,000 would be recognized as of December 31, 2012, 2011 and 2010, respectively.

9. EARNINGS PER SHARE (“EPS”)

	Years ended December 31,		
	2012	2011	2010
Income (numerator):			
Income attributable to holders of ordinary shares (RMB '000):	243,831	294,439	225,474
Shares (denominator):			
Weighted average ordinary shares outstanding used in computing basic income per share	20,430,838	20,430,838	13,292,189
Plus incremental weighted average ordinary shares from assumed conversions of warrants using treasury stock method	-	-	-
Weighted average ordinary shares outstanding used in computing diluted income per share	20,430,838	20,430,838	13,292,189
Earnings per share-basic (RMB)	11.93	14.41	16.96
Earnings per share-diluted (RMB)	11.93	14.41	16.96

For the year ended December 31, 2012, there was no difference in the weighted- average number of ordinary shares used for basic and diluted, earnings per ordinary share as the warrants outstanding had no dilutive effect. As of December 31, 2011, there were 2,774,300 warrants outstanding, which could potentially have had a dilutive impact in the future. The number of ordinary shares outstanding would be 21,028,302 if all of the warrants had been exercised. On November 16, 2012, all of the share purchase warrants expired and ceased to trade. As of December 31, 2012, there were no warrants outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and Machinery RMB'000	Motor Vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost					
At January 1, 2010	3,363	157,521	5,136	1,408	167,428
Additions	117,235	103,964	616	432	222,247
Acquisition through business combination	95,226	110,510	796	-	206,532
Disposals	-	(51,506)	-	-	(51,506)
At December 31, 2010	215,824	320,489	6,548	1,840	544,701
Additions	116,739	324,866	-	-	441,605
Disposals	-	(32,610)	-	-	(32,610)
At December 31, 2011	332,563	612,745	6,548	1,840	953,696
Additions	-	18,542	-	978	19,520
Disposals	-	(14,542)	-	(875)	(15,417)
At December 31, 2012	332,563	616,745	6,548	1,943	957,799
Accumulated depreciation					
At January 1, 2010	858	99,361	2,282	743	103,244
Depreciation charge	3,388	26,055	494	258	30,195
Disposals	-	(47,899)	-	-	(47,899)
At December 31, 2010	4,246	77,517	2,776	1,001	85,540
Depreciation charge	6,462	41,140	608	200	48,410
Disposals	-	(23,683)	-	-	(23,683)
At December 31, 2011	10,708	94,974	3,384	1,201	110,267
Depreciation charge	7,830	57,576	569	211	66,186
Disposals	-	(13,806)	-	(831)	(14,637)
At December 31, 2012	18,538	138,744	3,953	581	161,816
Net book amount					
At December 31, 2010	211,578	242,972	3,772	839	459,161
At December 31, 2011	321,855	517,771	3,164	639	843,429
At December 31, 2012	314,025	478,001	2,595	1,362	795,983

All property, plant and equipment held by the Company are located in the PRC.

The Company's building including renovation, with a carrying value of approximately RMB2,169,000, RMB 2,281,000 and RMB 2,393,000 was pledged as securities to secure the Company's interest-bearing bank borrowings at December 31, 2012, 2011 and 2010 respectively (Note 18).

For the buildings owned collectively by the Company and other three companies, the cost of buildings are stated according to the amount paid by the Company for its part of buildings, which represents for the Company's interests in the buildings. Buildings are depreciated over their expected useful lives of 40 years. These buildings' cost was RMB 3,363,000, and accumulated depreciation of these buildings was RMB1,194,000, RMB 1,082,000 and RMB 970,000 at December 31, 2012, 2011 and 2010 respectively.

Loss on disposal of property, plant and equipment in 2012 and 2011 was RMB 1,155,000 and RMB 512,000 respectively, and gain on the disposal of property, plant and equipment in 2010 was RMB 485,000.

11. LAND USE RIGHTS

	2012	2011	2010
	RMB'000	RMB'000	RMB'000
At beginning of the year			
Cost	32,619	32,619	180
Accumulated amortization	(1,352)	(683)	(15)
Net book amount	<u>31,267</u>	<u>31,936</u>	<u>165</u>
For the year			
Opening net book amount	31,267	31,936	165
Acquisition through business combination	-	-	32,439
Amortization	(669)	(669)	(668)
Net book amount	<u>30,598</u>	<u>31,267</u>	<u>31,936</u>
At end of the year			
Cost	32,619	32,619	32,619
Accumulated amortization	(2,021)	(1,352)	(683)
Net book amount	<u>30,598</u>	<u>31,267</u>	<u>31,936</u>

The land use rights of the Company refer to lands located in PRC which were pledged to the banks as securities for the Company's interest-bearing bank borrowings at December 31, 2012, 2011 and 2010 respectively (Note 18).

12. INVENTORIES

	As at December 31,		
	2012	2011	2010
	RMB'000	RMB'000	RMB'000
At cost			
Raw materials	38,154	51,267	33,360
Work in progress	5,315	6,228	6,243
Finished goods	251,371	234,286	137,614
Provision for inventory	(4,237)	-	-
	<u>290,603</u>	<u>291,781</u>	<u>177,217</u>

In December 2012, the Company launched a sales promotion which decreased some of the selling prices of the products, resulting that the carrying value of some inventories was higher than their net realizable value. Provision for such declines in the value of inventories as at December 31, 2012 was RMB 4,237,000 and was charged to Cost of sales. There has been no inventory write-off or allowance for inventory obsolescence for the years ended December 31, 2011 and 2010.

13. TRADE RECEIVABLES

The Company's trade receivables are denominated in Renminbi and non-interest bearing, and generally have credit terms from 90 days to 150 days.

The aging analysis of the Company's trade receivables is as follows:

	As at December 31,		
	2012	2011	2010
	RMB'000	RMB'000	RMB'000
Within 90 days	287,036	473,209	282,976
Between 3 and 6 months	168,849	-	-
	<u>455,885</u>	<u>473,209</u>	<u>282,976</u>

As at December 31, 2011 and 2010, trade receivables of RMB 473,209,000 and RMB 282,976,000 were neither past due nor impaired. As at December 31, 2012, the Company had extended the collection period to 150 days to address funding pressures of some customers. These related to a large number of customers for whom there was no recent history of default. All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. The Company does not hold any collateral as security for these receivables.

The largest customer with the trade receivable balance 13.0% exceeded 10% of total balance of trade receivables as at December 31, 2012, and its revenue was accounted for 9.63% of our total revenue for the year ended December 31, 2012.

14. OTHER RECEIVABLES AND PREPAYMENT

	As at December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Prepayments	4,092	8,679	1,973
Creditable Input VAT	-	17,698	6,934
	<u>4,092</u>	<u>26,377</u>	<u>8,907</u>

As at December 31, 2012, 2011 and 2010, other receivables and prepayment of RMB 4,092,000, RMB 26,377,000 and RMB 8,907,000 were neither past due nor impaired. The net carrying value of these receivables is considered a reasonable approximation of fair value. The Company does not hold any collateral as security for these receivables.

15. CASH AND BANK BALANCES

	As at December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Cash on hand	28	44	59
Cash at bank	89,420	42,105	263,436
	<u>89,448</u>	<u>42,149</u>	<u>263,495</u>

Cash and bank balances are denominated in the following currencies:

	As at December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Renminbi	88,828	40,120	195,710
Hong Kong dollars	41	1	13
US dollars	570	2,028	67,772
	<u>89,439</u>	<u>42,149</u>	<u>263,495</u>

Bank balances denominated in Renminbi are deposited with banks in the PRC and are not freely convertible to foreign currencies. The conversion of these RMB denominated balances into foreign currencies is subject to the foreign exchange control rules and regulations promulgated by the PRC Government.

As at December 31, 2012, bank balances denominated in US dollars with an amount equivalent to RMB 513,000 were deposited with banks in the United States of America, which are held by China Ceramics whose functional currency is US dollars. Bank balances denominated in US dollars with an amount equivalent to RMB 56,000 were deposited with banks in Hong Kong, which are held by Stand Best whose functional currency is Renminbi. Bank balances denominated in US dollars with an amount equivalent to RMB 1,000 were deposited with banks in PRC, which are held by Hengda whose functional currency is Renminbi.

16. TRADE PAYABLES

	As at December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Trade payables	<u>115,123</u>	<u>252,682</u>	<u>178,382</u>

Trade payables are denominated in Renminbi and generally have credit terms ranging within 120 days. The carrying values of trade payables is considered to be a reasonable approximation of fair value.

17. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Sales discount payable	-	-	16,661
Accrued liabilities	24,573	22,022	13,320
Deposits payables	21,800	21,000	14,800
	<u>46,373</u>	<u>43,022</u>	<u>44,781</u>

Accrued liabilities and other payables are denominated in the following currencies:

	As at December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Renminbi	46,326	42,951	44,147
US dollars	47	71	634
	<u>46,373</u>	<u>43,022</u>	<u>44,781</u>

Accrued liabilities consist mainly of accrued rental, wages and utility expenses.

Deposits payables represent deposits from the Company's distributors. The Company will usually request a deposit from RMB 400,000 to RMB 1,000,000 from new distributors upon signing a distributorship agreement.

The carrying values of these payables is considered to be a reasonable approximation of fair value because they are due within 1 year.

18. INTEREST-BEARING BANK BORROWINGS

	As at December 31,		
	2012 RMB'000	2011 RMB'000	2010 RMB'000
Short-term bank borrowings secured and repayable within one year	10,000	125,000	72,000
Long-term bank borrowings secured and repayable more than one year	50,000	60,000	25,000
	<u>60,000</u>	<u>185,000</u>	<u>97,000</u>

The Company's interest-bearing bank borrowings are pledged by the Company's buildings and land use rights (Note 10 and 11) and guaranteed by related parties (Note 24) and third parties. Short-term bank borrowings bear effective interests rates ranging from approximately 7.42%, 7.22% to 8.53% and 6.11% to 6.62% per annum during the years ended December 31, 2012, 2011 and 2010, respectively. Long-term bank borrowings bear effective interests rates ranging from approximately 7.32% to 7.65%, 7.32% to 7.65% and 6.62% per annum during the years ended December 31, 2012, 2011, and 2010 respectively.

The carrying amounts of interest-bearing bank borrowings are denominated in Renminbi.

The carrying values of the short-term bank borrowings approximate to fair value because they are due within 1 year.

The fair value of the long-term bank borrowings is 46,451,000 with a discount rate of 3.75%, which is in accordance with the two-year bank borrowing rate of People's bank of China.

19. SHARE CAPITAL

As the Success Winner Acquisition (Note 1) was accounted for as a reverse recapitalization transaction, the equity structure (i.e. the number and type of equity interests issued) in the consolidated financial statements as of December 31, 2012, 2011 and 2010 reflects the equity structure of China Ceramics (the legal parent and accounting acquiree), including the equity interests China Ceramics issued to effect the combination.

The movement of the equity structure is as follows:

	2012		2011		2010	
	Number of shares	US\$ '000	Number of shares	US\$ '000	Number of shares	US\$ '000
Authorized						
At January 1 and December 31	<u>51,000,000</u>	<u>51</u>	<u>51,000,000</u>	<u>51</u>	<u>51,000,000</u>	<u>51</u>
	2012		2011		2010	
	Number of shares	RMB '000	Number of shares	RMB '000	Number of shares	RMB '000
Issued and fully paid:						
At January 1	18,254,002	124	16,459,202	112	8,950,171	61
Issuance to Mr. Wong Kung Tok for achieving the 2009 performance threshold	-	-	-	-	1,214,127	8
Warrants exchange for ordinary shares	-	-	-	-	2,944,904	20
Issuance of ordinary shares in the new equity offering	-	-	-	-	3,350,000	23
Issuance to Mr. Wong Kung Tok for achieving the 2010 performance threshold	-	-	1,794,800	12	-	-
Issuance to Mr. Wong Kung Tok for achieving the 2011 Performance threshold	2,176,836	13	-	-	-	-
At December 31	<u>20,430,838</u>	<u>137⁽³⁾</u>	<u>18,254,002</u>	<u>124⁽²⁾</u>	<u>16,459,202</u>	<u>112⁽¹⁾</u>

(1) US\$ equivalent 17,000

(2) US\$ equivalent 18,000

(3) US\$ equivalent 20,000

On November 21, 2007, CHAC consummated its initial public offering, or IPO, of 12,800,000 units, including 800,000 units subject to an over-allotment option, with each unit consisting of one ordinary share, US\$ 0.001 par value per share, and one warrant to purchase one ordinary share at an exercise price of US\$ 7.50 per share. The units were sold at an offering price of US\$ 10.00 per unit, generating total gross proceeds of US\$ 128,000,000. Simultaneously with the consummation of the IPO, CHAC consummated the private sale of 2,750,000 warrants to CHAC's founders at a price of US\$ 1.00 per warrant, generating total proceeds of US\$ 2,750,000. CHAC's founders had 3,200,000 ordinary shares as founding shares.

All ordinary shares are equally eligible to receive dividends and represent one vote at shareholders' meetings of the Company.

Each warrant entitled the holder to purchase shares at US\$ 7.50 per share, subject to adjustment in the event of stock dividends and splits, reclassifications, combinations and similar events for a period commencing on the later of: (a) completion of the business combination and (b) one year from the closing date of the IPO, and ending November 16, 2012. On November 16, 2012, all of the share purchase warrant expired and ceased to trade.

On November 20, 2009, pursuant to the acquisition agreement, China Ceramics acquired all of the issued and outstanding shares of Success Winner held by Mr. Wong Kung Tok in exchange for US\$ 10.00 and 5,743,320 shares of China Ceramics. In addition, 8,185,763 shares of China Ceramics were placed in escrow (the "Contingent Shares") and for release to Mr. Wong Kung Tok in the event certain earnings and stock price thresholds are achieved. Of the Contingent Shares, up to 5,185,763 Contingent Shares could have been released based on achieving growth in either net earnings before tax or net earnings after tax, depending on the year, following the completion of an annual audit. Additionally, 3,000,000 Contingent Shares could have been released if China Ceramics shares closed at or above certain share price targets for any twenty trading days within a thirty trading day period prior to April 30, 2012. The Contingent Shares were to be released without regard to continued employment and were only contingent on future earnings and the stock price of China Ceramics. On May 24, 2010, the Company issued 1,214,127 shares to Mr. Wong Kung Tok based on the audited earning before tax result for the fiscal year 2009. On April 7, 2011, the Company issued 1,794,800 shares to Mr. Wong Kung Tok based on the audited earning before tax result for the fiscal year 2010. On April 3, 2012, the Company issued 2,176,836 shares to Mr. Wong Kung Tok based on the audited earning before tax result for the fiscal year 2011. No further Contingent Shares may be issued to Mr. Wong Kung Tok. The issuance of the Contingent Shares is accounted for as a stock dividend.

Also, concurrent with the Success Winner Acquisition, the Company purchased an aggregate of 11,193,149 ordinary shares from the public stockholders for an aggregate purchase price of approximately RMB 752.2 million in transactions intended to assure the successful completion of the business combination. In connection with the closing of the Success Winner Acquisition, the CHAC's founders forfeited 1,600,000 of their founders' shares to CHAC for cancellation.

On May 25, 2010, the Company purchased 996,051 public warrants from four warrant holders (all managed by a single entity) at a price of US\$ 1.00 per warrant in a privately negotiated transaction. The total amount paid to purchase the public warrants was US\$ 996,051 (RMB equivalent 6,803,000) and has been deducted from shareholders' equity.

The Company initiated an exchange offer (the "Offer") pursuant to which holders of all 14,553,949 of the Company's outstanding warrants (the "Warrants") had the opportunity to acquire the Company's shares through a warrant for share exchange. The Company issued one share for every four warrants tendered. On September 1, 2010, pursuant to the terms of the tender offer, 11,779,649 warrants were exchanged for 2,944,904 shares, which are freely tradable.

On November 24, 2010, the Company closed an underwritten public offering of 3,350,000 shares at a price of US\$ 7.75 per share for a gross proceeds of approximately RMB 172.7 million. The total net proceeds of the offering to the Company, after deduction of underwriters' commissions and discounts and estimated transaction expenses, was approximately RMB 159.6 million.

As at December 31, 2012, China Ceramics' issued and outstanding equity instruments consisted of 20,430,838 ordinary shares, US\$ 0.001 par value per share.

20. RESERVES

a) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the Company's PRC subsidiaries are required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the Board of Directors, and are not available for dividend distribution to the shareholders.

b) Currency translation reserve

The reserve comprises all foreign exchange differences arising from the translation of the financial statements of China Ceramics whose functional currency is US dollars.

c) Merger reserve

The merger reserve of the Company represents the difference between the nominal value of the shares of the subsidiaries acquired in the Hengda Reorganization (Note 1) over the nominal value of the shares of the Company issued in exchange thereof.

d) Share-based payment reserve

After the successful consummation of the reverse recapitalization, Mr. Wong Kung Tok, the former sole shareholder of Success Winner, allotted a total of 1,521,528 China Ceramics' ordinary shares to two financial advisors for their financial advisory services related to the recapitalization activities. The shared based payment reserve represents the fair value of these allotted shares measured based on the average market price over the service periods (Note 4.2).

Share-based payment reserve also represents the equity-settled share options granted to employees (Note 22). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

e) Reverse recapitalization reserve

The reverse recapitalization reserve arises as a result of the method of accounting for the Success Winner Acquisition. In accordance with IFRS, the acquisition has been accounted for as a reverse recapitalization.

21. DIVIDENDS

On November 26, 2012, the Company announced that it will pay a semi-annual cash dividend of US\$0.10 (equivalent as RMB 0.62) per share, the first two cash dividends will be payable on July 15, 2013 and January 14, 2014, with record dates of June 13, 2013 and December 13, 2013, respectively.

22. SHARE-BASED EMPLOYEE REMUNERATION

On December 27, 2010, the shareholders of the Company approved the 2010 Incentive Compensation Plan (“the Plan”) at the annual meeting, which was designed to retain directors and senior management. In accordance with the Plan, the Company granted an aggregate of 1,130,000 stock options to Huang Jia Dong, Su Pei Zhi, Su Wei Feng, Hen Man Edmund, Paul K. Kelly, Cheng Yan Davis, Ding Wei Dong and William L. Stulginsky, upon the approval by the Board of Directors on January 27, 2011, the grant date. The share options are valid for a period of 5 years from January 27, 2011 to January 27, 2016.

Share options and weighted average exercise prices are as follows for the reporting periods presented:

	Incentive Compensation Plan	
	Number of shares	Weighted average exercise price
		US\$
Granted	1,130,000	7.65
Forfeited	-	-
Exercised	-	-
Outstanding at December 31, 2011 and 2012	1,130,000	7.65
Exercisable at December 31, 2011	282,500	7.65
Exercisable at December 31, 2012	565,000	7.65

The total fair value of the share options granted under the Plan is RMB 25,643,000 (US\$ 3,978,000). The fair values of options granted were determined using a variation of the Black-Scholes Option Pricing Model that takes into account factors specific to the share incentive plans, such as the vesting period. The following principal assumptions were used in the valuation:

	Incentive Compensation Plan
Grant date	January 27, 2011
Vesting period ends	January 27, 2014
Share price at date of grant(US\$)	7.65
Volatility	65%
Option life	5 years
Dividend yield	0%
Risk-free investment rate	1.98%
Fair value at grant date (US\$)	3.52
Exercise price at date of grant (US\$)	7.65
Exercisable from / to	January 27, 2011/ January 27, 2016
Weighted average remaining contractual life	3.25 years

The underlying expected volatility was determined by reference to historical data of the Company’s shares over a period of time since its flotation on the Stock Exchange. No special features inherent to the options granted were incorporated into measurement of fair value.

For the year ended December 31, 2011 and 2012 RMB 17,295,000 (US\$ 2,683,000) and RMB 5,651,000 (US\$ 902,000) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to share-based payment reserve.

23. BUSINESS COMBINATIONS

On January 8, 2010, the Company consummated the acquisition of all voting equity interests of Hengdali, a company that manufactures and sells ceramics tiles used for exterior siding and for interior flooring, for a total cash consideration of RMB 185,517,000. The acquisition is intended to increase the Company's production capacity and reduce costs through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	RMB'000
- Cash paid	185,517

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	3,822
Property, plant and equipment	206,532
Land use rights	32,439
Inventories	11,473
Receivables	400
Payables	(11,728)
Borrowings	(60,000)
Deferred tax liability	(1,156)
	181,782
Goodwill	3,735
	185,517
Outflow of cash to acquire business, net of cash acquired, as at December 31, 2010	
- cash consideration	40,133
- cash and cash equivalents in subsidiary acquired	(3,822)
Net cash outflow on acquisition	36,311

The goodwill is attributable to Hengdali's strong production capacity, foreseeable profitability and synergies expected to arise from the economies of scale after the acquisition. None of the goodwill is expected to be deductible for tax purposes.

The acquired business contributed approximately revenue of RMB 243,495,000 and net profit of RMB 65,802,000 to the Company for the period from January 8, 2010 to December 31, 2010.

The revenue and net profit of the combined group as if the business combination had been completed on January 1, 2010 were approximately RMB 1,068,551,000 and RMB 225,212,000.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following are significant related party transactions entered into between the Company and its related parties at agreed rates:

	Year ended December 31,		
	2012	2011	2010
	RMB'000	RMB'000	RMB'000
Service fee paid to Stuart Management Co.	526	542	564
Amount owing to related parties	3,469	-	(2,053)

Mr. Huang Jia Dong, the founder and Chairman of Hengda and the Chief Executive Officer and one of the directors, and a holder of approximately 40.3% of our shares as of April 22, 2013, and Mr. Wong Kung Tok, formerly one of our significant shareholders, provide working capital loans to us from time to time during the normal course of our business. These loans amounted to RMB 1,327,000 (US\$201,000), RMB 1,327,000 (US\$211,000), and RMB 4,796,000 (US\$770,000) in 2010, 2011, and 2012, respectively. These loans are interest free, unsecured and repayable on demand. They remain outstanding as of December 31, 2012. Mr. Huang and Mr. Wong are brothers-in-law.

Pursuant to an administrative services agreement dated as of December 1, 2009 between China Ceramics and Stuart Management Co., an affiliate of Paul K. Kelly, Chairman of the board of directors, China Ceramics pays US\$7,000 (equivalent to RMB 44,000) a month plus out-of-pocket expenses to Stuart Management Co. for administrative services. The initial one-year term began on December 1, 2009, and the agreement automatically renews for successive one-year terms unless either party notifies the other of its intent not to renew. During the term of the agreement, Stuart Management Co. will provide us with general administrative services, including acting as an administrative agent for us in the United States and the British Virgin Islands, and allow us to utilize certain of its office space for meetings.

Amount owing to related parties relates to 1) payments made by a director on Hengda's behalf for the purchase of motor vehicles owned by the Company and 2) advances from a shareholder to the Company for working capital purposes. The amount was loaned interest free, and is unsecured and repayable on demand.

Mr. Huang Jia Dong, director and chief executive officer and Su Pei Zhi, director and sales deputy general manager provide the guarantee to the Company for the loans. The guarantee amounted to RMB 180,000,000 (US\$ 28,892,000), RMB 180,000,000 (US\$ 28,599,000) and RMB 142,000,000 (US\$ 21,515,000) as of December 31, 2012, 2011 and 2010, respectively.

25. COMMITMENTS

a) Operating lease commitments

The Company leases production factories, warehouses and employees' hostel from non-related parties under non-cancellable operating lease arrangements. The leases have varying terms and the total future minimum lease payments of the Company under non-cancellable operating leases for assets are as follows:

	Year ended December 31,		
	2012	2011	2010
	RMB'000	RMB'000	RMB'000
Not later than one year	11,560	10,581	10,645
Longer than one year and not later than five years	17,624	25,128	29,788
	29,184	35,709	40,433

The leases typically run for an initial period of three to five years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every five years to reflect market rentals. None of the leases includes contingent rentals.

b) Capital commitments

The Company's capital expenditures primarily consist of expenditures on property, plant and equipment. Capital expenditures contracted for at the balance sheet date but not recognized in the financial statements are as follows:

	Year ended December 31,		
	2012	2011	2010
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,392	1,392	85,710

c) Other commitments

The Company had the following additional commitments:

	Year ended December 31,		
	2012	2011	2010
	RMB'000	RMB'000	RMB'000
Advertising and insurance expenditure contracted but not provided for in the financial statements	-	3,270	2,400

26. FINANCIAL RISK MANAGEMENT

26.1 Risk management objectives and policies

The Company's overall financial risk management program seeks to minimize potential adverse effects of financial performance of the Company. Management has in place processes and procedures to monitor the Company's risk exposures while balancing the costs associated with such monitoring and management against the costs of risk occurrence. The Company's risk management policies are reviewed periodically for changes in market conditions and the Company's operations.

26.2 Financial risk factors

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk arises primarily from bank balances and trade receivables. For trade receivables, the Company adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing only with high credit quality counterparties.

As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial assets presented on the consolidated statements of financial position.

Cash and bank balances

The Company's bank deposits are placed with reputable banks in the PRC, Hong Kong and the United States. The credit exposure of the Company's cash and bank as at December 31, 2012, 2011 and 2010 were RMB 89,448,000, RMB 42,149,000 and RMB 263,495,000, respectively

Trade receivables

The Company's objective is to seek continual growth while minimizing losses incurred due to increased credit risk exposure.

The Company has significant concentration of credit risk as the Company's top three largest trade receivables represent approximately 18%, 8% and 10% of the trade receivable balance as at December 31, 2012, 2011 and 2010, respectively.

The Company's exposure to credit risks is influenced mainly by the individual characteristics of each customer. The Company typically gives the existing customers credit terms of approximately 90 days to 150 days. In deciding whether credit shall be extended, the Company will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the Chief Executive Officer.

The Company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The provision for impairment loss for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

The credit exposure of the Company's trade receivables as at December 31, 2012, 2011 and 2010 were RMB 455,885,000, RMB 473,209,000 and RMB 282,976,000, respectively.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below summarizes the maturity profile of the liabilities based on contractual undiscounted payments:

	Year ended December 31, 2012		
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
Trade payables	115,123	-	115,123
Accrued liabilities and other payables	51,169	-	51,169
Interest-bearing bank borrowings	10,000	50,000	60,000
Total	<u>176,292</u>	<u>50,000</u>	<u>226,292</u>

The Company intends to ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Company intends to maintain sufficient level of cash and cash equivalents and have available an adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk arises primarily from short-term and long-term bank borrowings. The Company does not have investment in other financial assets. The Company's policy is to maintain all its borrowings on a fixed rate basis. The interest rates and terms of repayment of the bank borrowings are disclosed in Note 18.

Bank borrowings subject to fixed interest rates are contractually repriced at intervals of 12 months. The other financial instruments of the Company are not subject to significant interest rate risk.

At December 31, 2012, if average interest rate on the Company's bank borrowings, which bear fixed rates, had been 50 basis point higher/lower, loss before tax for the year ended December 31, 2012 would have been decreased/increased by RMB336,000/RMB336,000 (2011: increased/decreased by approximately RMB 798,000 /RMB 798,000, 2010: increased/decreased by approximately RMB 310,000 /RMB 310,000.).

(iv) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company's operations are primarily conducted in the PRC. All the sales and purchases transactions are denominated in RMB. As such, the operations are not exposed to exchange rate fluctuation.

As at December 31, 2012, 2011 and 2010, all of the Company's monetary assets and monetary liabilities were denominated in RMB except for certain insignificant amount of bank balances (Note 15) and other payables (Note 17) which were denominated in foreign currencies such as US dollar and HK dollar.

In the opinion of the management, the Company does not have any significant currency exposure. Accordingly, the Company has not used any financial instrument to hedge its foreign currency risk as its risk exposure is considered to be minimal.

The management monitors its exposure to currency risk on an on-going basis and endeavors to keep the net exposure at an acceptable parameter.

26.3 Capital management

The Company's objectives when managing capital are:

- (i) To safeguard the Company's ability to continue as a going concern and to be able to service its debts when they are due;
- (ii) To maintain an optimal capital structure so as to maximize shareholder value; and
- (iii) To maintain a strong credit rating and healthy capital ratios in order to support the Company's stability and growth

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company manages its common shares and stock options as capital.

The Company is not subject to externally imposed capital requirements, except for, as disclosed in Note 20(a), the Company's PRC subsidiary is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilization is subject to approval by the Board of Directors. This externally imposed capital requirement has been complied with by the PRC subsidiary for the financial years ended December 31, 2012, 2011 and 2010.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, increase share capital, obtain new borrowings or sell assets to reduce debt.

There were no changes in the Company's overall approach to capital management during the report periods.

The table below summarizes the capital of the Company:

	Year ended December 31,		
	2012	2011	2010
	RMB'000	RMB'000	RMB'000
Share capital	112	124	137
Statutory Reserve	62,808	94,608	119,955
Retained earnings	509,998	772,637	991,121
Total	<u>572,918</u>	<u>867,369</u>	<u>1,111,213</u>

26.4 Fair value estimation

The Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheets at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

As at December 31, 2012, 2011 and 2010, the Company's financial instruments mainly consisted of cash and bank balances, trade receivables, trade payables, accrued liabilities, other payables, which were categorized using the fair value hierarchy level 1. The bank borrowings were categorized using the fair value hierarchy level 2.

Fair value

The carrying amounts of financial assets and financial liabilities at amortized cost with a maturity of less than one year approximate their fair values.

The Company does not anticipate that the carrying amounts recorded at the statement of financial position date would be significantly different from the values that would eventually be received or settled.

[This page intentionally left blank.]

[This page intentionally left blank.]

