

**CHINA CERAMICS CO., LTD.**



**China Ceramics Co., Ltd.**

**WWW.CCERAMICS.COM**

**Investor Presentation**  
**May 2020**



# Safe Harbor Statement

**This presentation contains forward-looking statements and management may make additional forward-looking statements in response to your questions. Such written and oral disclosures are made pursuant to the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995.**

**Although we believe our expectations expressed in such forward looking statements are reasonable, we cannot assure you that they will be realized. Investors are cautioned that such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the anticipated results, and therefore we refer you to a more detailed discussion of the risks and uncertainties in the Company's filings with the Securities & Exchange Commission.**

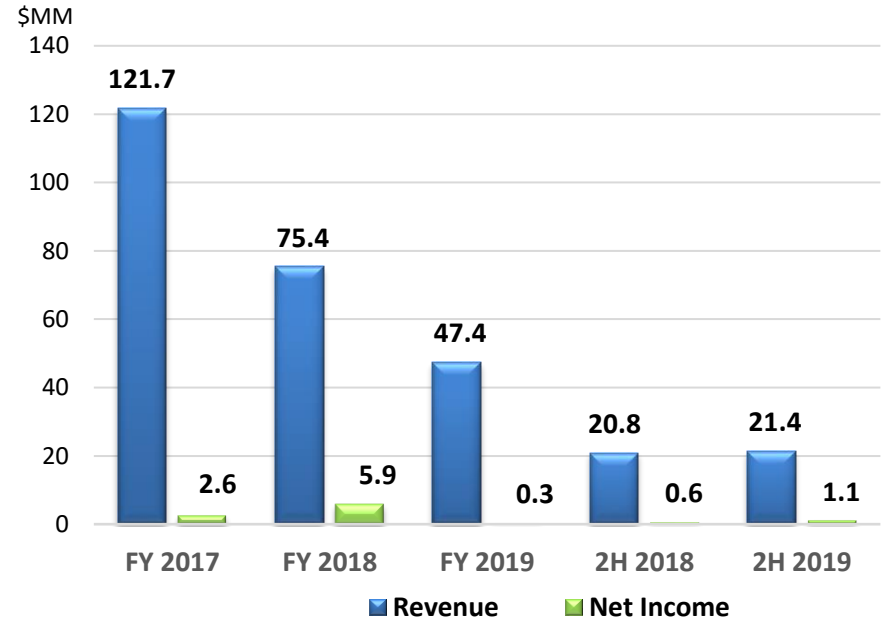
**The forward-looking statements contained in this presentation are made only as of today, and China Ceramics Co., Ltd. is under no obligation to revise or update these forward-looking statements.**



# Company Overview

- Ceramic tile market growth correlates with urbanization & residential construction trends in China
- Production capacity is currently 51.6 million square meters (MSM) of ceramic tiles / year
- Plant utilization for 2H fiscal 2019 was 6.4 MSM / yr.; ramp to greater utilization is pending improved business conditions
- Current initiative is to enter the Southeast Asia market and develop new products
- 2,000+ tile, color and size combinations enable wide customer choice
- Founded in 1993; high brand recognition; sold under “Hengda / HD”, “Hengdeli / HDL”, “TOERTO”, “WULIQIAO”, and “Pottery Capital of Tang Dynasty” trademarks

## Revenue and Net Income



### Net Income non-cash adjustments to reflect ongoing operations:

FY 2017 - \$5.4 MM for asset write-down, \$10.6 MM for bad debt expense & \$0.4 MM for reversal of inventory write-down

FY 2018 - \$12.9 MM asset write-down, \$47.9 MM for bad debt expense & \$8.5 MM for inventory write-down

FY 2019 - \$9.9 MM for bad debt expense & 8.2 MM for reversal of inventory write-down





# Equity Snapshot

<b>Nasdaq: CCCL</b>	<b>FYE: Dec. 31</b>
<b>Stock Price (5/21/20)</b>	<b>\$0.79</b>
<b>Shares Outstanding</b>	<b>8.0 MM</b>
<b>Market Capitalization</b>	<b>\$6.3 MM</b>
<b>Debt (FYE 2019)</b>	<b>--</b>
<b>Revenue (FYE 2019)</b>	<b>\$47.4 MM</b>
<b>Net Income (FYE 2019, as adjusted) (a)</b>	<b>\$ 0.3 MM</b>
<b>EPS (FYE 2019, as adjusted) (b)</b>	<b>\$0.04</b>
<b>Cash</b>	<b>\$1.6 MM</b>
<b>Price to Book Multiple</b>	<b>16.2%</b>

(a) Adjusted for \$12.9 MM asset write-down, \$47.9 MM bad debt expense & \$8.5 MM inventory write-down; and 1H '18 bad debt expense of \$16.7 MM & 1H '19 bad debt expense of \$28.6 MM TTM = trailing twelve months



# Investment Highlights

**1** A premier, name-brand manufacturer of thousands of customizable exterior and interior ceramic tiles

**2** Capitalizing upon China's urbanization trend, rising GDP and a high level of real estate ownership in China

**3** A shake-out of smaller competitors who cannot comply with pollution regs could ultimately lead to marketshare gains

**4** Strategic plan to enter the Southeast Asia and develop new products such as new cooling tiles to expand market

**5** Modern plant and R&D enables competitive advantage; glazed brick ceramic tiles for roofing complements current portfolio

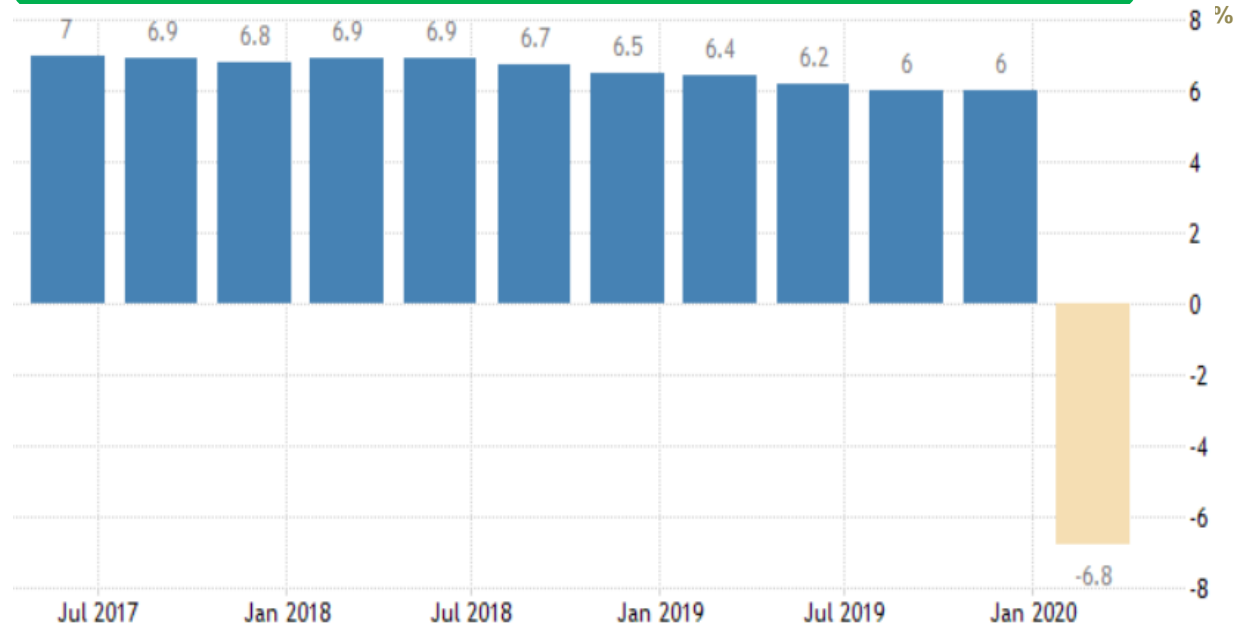
**6** Real estate, construction and associated sectors are estimated to comprise 25% of China's GDP



# China's Macroeconomic Environment

- The Chinese economy is undergoing a structural change, transitioning from manufacturing to services and from investment to consumption.
- GDP contracted by 6.8% in 1Q 2020 reflecting the damage caused by the COVID-19 pandemic as non-essential business activity was shutdown.
- The central government could enact stimulus measures that would help to propel the Chinese economy as its fundamentals remain stable.
- Real estate investment could moderate in 2020 as the deleveraging of China's property developers could mean few new projects and reduced construction.

## China's Annual GDP Growth Rates (% Changes)



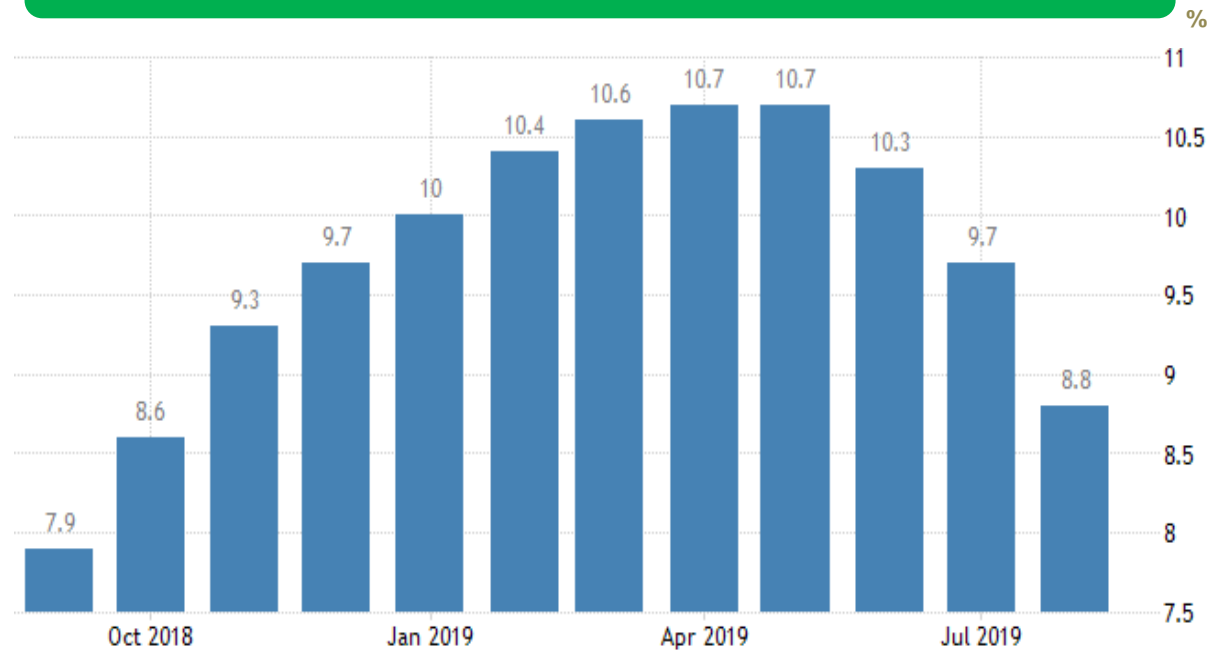
Source: [tradingeconomics.com](https://tradingeconomics.com), National Bureau of Statistics of China



# China's Real Estate Market Environment

- Real estate is estimated to be 25% of China's GDP; a healthy real estate sector is important to China's growth.
- Average new home prices in 70 cities rose 8.8% y-o-y in August, the lowest since Oct 2018.
- On a month-over-month basis, prices rose 0.5% in August, the least since a 0.5% rise in February.
- A series of government curbs to stem speculation and a slowdown in the economy have weighted on China's housing market. Chinese authorities have, from time to time, imposed lending curbs, higher mortgage rates and down payments, a price cap on new developments and restrictions on the number of homes each family can buy.
- Programs to renovate inner city housing stock, and to develop rental homes and affordable housing projects could spur real estate and construction market activity.

## Newly Build China Home Prices (Yr-o-Yr Change)



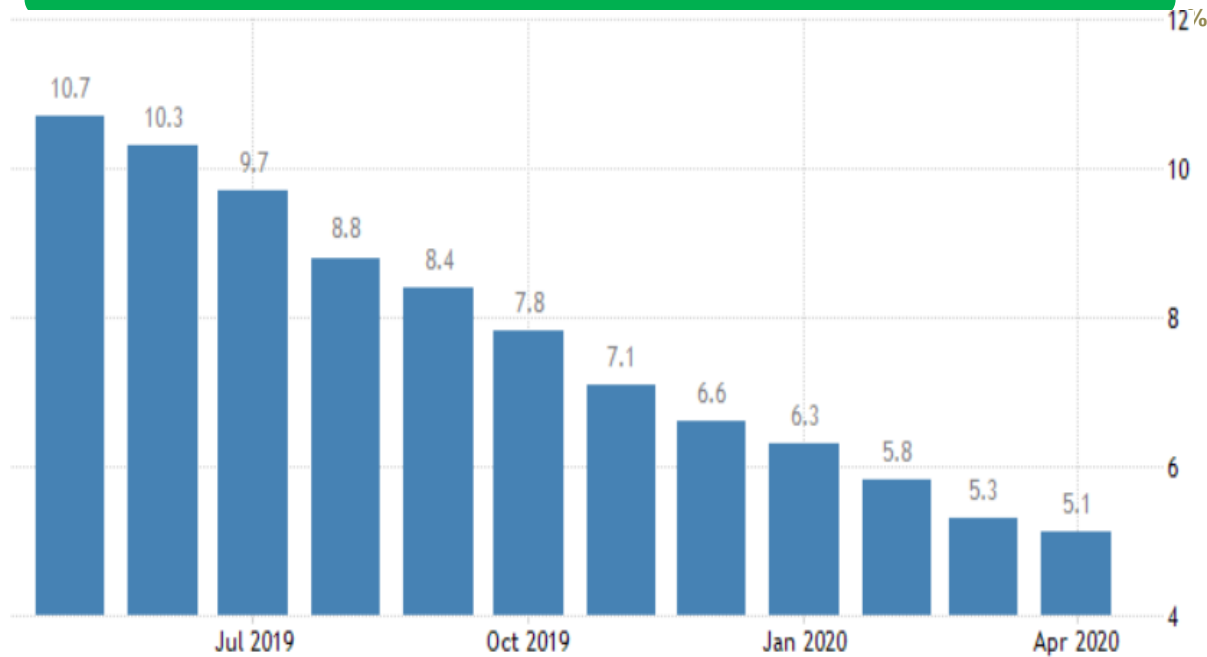
Source: *tradingeconomics.com*, National Bureau of Statistics of China



# China's Real Estate Market Environment

- Real estate is estimated to be 25% of China's GDP; a healthy real estate sector is important to China's growth.
- Average new home prices in 70 cities rose 5.1% y-o-y in April 2020, the lowest since June 2018.
- On a month-over-month basis, prices rose 0.5% in April 2020, the most since October 2019
- Although new home sales declined an estimated 90% during China's lockdown due to the COVID-19 pandemic but pent-up demand has spurred active buying in April.
- A series of government curbs to stem speculation and a slowdown in the economy have weighed on China's housing market. Chinese authorities have from time to time imposed lending curbs, higher mortgage rates and down payments, a price cap on new developments and restrictions on the number of homes each family can buy.

## Newly Build China Home Prices (Yr-o-Yr Change)



Source: *tradingeconomics.com*, National Bureau of Statistics of China

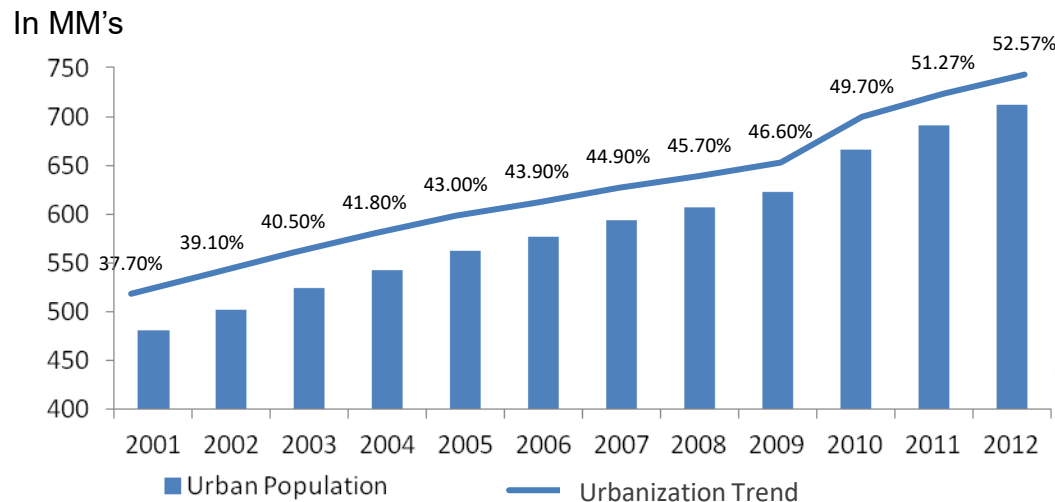




# Urbanization Trend Provides Underpinning to Real Estate Construction China

- China's total urban population reached 768 million in 2015 vs. 450 million in 2001; according to projections, nearly 70% of the population will live in urban areas by 2035.
- The scale and pace of China's urbanization trend is unprecedented: 219 cities of more than one million and an aggregate urban population nearing 1 billion are projected by 2025,
- Tier I cities are expected to account for only 10% of China's commercial real estate activities by 2020, highlighting the significant development opportunities in Tier II and Tier III cities.

## Urbanization Trend in China



## % of Population Urbanized by Country –

Indonesia	Malaysia	Russia
50.3%	69.4%	72.9%
US	UK	Japan
81.4%	89.9%	91.3%

Sources: The Economic Times, National Bureau of Statistics of China, Wikipedia; [www.china.org.cn](http://www.china.org.cn), <http://esa.un.org/unup>



# A Long-Term Trend of Strong Real Estate Growth in China

- The scale of construction in China is immense: the expected future increase in cities is equal to the residential floor space of a number of European cities today
- CCCL believes that sound underlying demand for housing is sustainable throughout the next decade although corrections due to overbuilding could occur
- There are fewer restrictions by municipal governments in Tier II and Tier III cities
- CCCL believes that the land supply in 2019 in Tier II and Tier III cities could rebound and create demand for ceramic tiles
- Central government initiatives stipulate for 36 million new affordable housing units at a cost of nearly \$800 billion
- Renovation and upgrading of existing properties could also spur demand

Forecast of Net Increase				
in Urban Residential			Existing Residential	
Building Stock (2011-2020)			Building Stock	
Chongqing	1,109		Poland	807
Chengdu	447		Greece	494
Zhengzhou	396		Portugal	424
Tianjin	389		Sweden	411
Beijing	350		Czech Rep.	369
Xi'an	279		Romania	366
Changsha	272		Switzerland	352
Shanghai	271		Hungary	319
Shenzhen	265		Austria	318
Dongguan	234		Denmark	282
a. all data in mm sq. meters				
b. Figures are for urban areas within referenced prefecture/municipality.				
c. Chongqing municipality's unusually large increase partly reflects its large size compared with other prefectures.				
<u>Sources:</u> Economist Intelligence Unit; National Bureau of Statistics (China); UNECE				



# Competitive Landscape

- China's outdoor ceramics tile industry is highly fragmented with hundreds of manufacturers; CCCL estimates its current market share in China to be 5%.
- The Company believes that more than 200 manufacturers are located in Jinjiang, with a combined annual production volume of 70% of China's total production volume
- Others are mainly located in Foshan, Zibo, Linyi, and Dehua, specializing in manufacturing interior wall and floor ceramic tiles
- Competition is based on quality, branding, service and product diversity, CCCL's strengths
- Major competitors include:
  - *White Rabbit Ceramics*
  - *Foshan Shiwan Yulong Ceramics*
  - *Jinjiang Haoyuan Ceramics*
  - *Jinjiang Wanli Ceramics*





# Key Market Trends

- **China's long-term urbanization trend** – CCCL is a prime beneficiary
- **Government policies support the real estate sector** – rate cuts, lower down payment requirements and property sales have spurred recent activity
- **New products** – New outdoor ceramic tiles products are “Green”, lighter, heat insulating and noise-reducing. The company's production line to manufacture glazed brick ceramic tiles deepens the portfolio even more.
- **Potential of Tier II and III Cities** – CCCL believes that much of the growth in China's GDP is being driven by economic activity in Tier II and Tier III cities.
- **Distribution and Direct Sales** – China's outdoor ceramic tile industry relies heavily on distributors; a vast majority of total sales are made through distributors. As competition intensifies, more manufacturers will bid for large projects in an attempt to sell products to real estate developers directly.
- **Stricter Environmental Standards** – Exits by smaller competitors to occur as less well-financed companies cannot comply with stricter environmental regulations.





# Core Competitive Advantages

- **Experienced management** and a culture of hard work and success
- **Premier brand** – repeat winner of “Asia’s 500 Most Valuable Brands” award among many other awards and certifications
- **R&D** – the 7 person team develops new products and has recently developed a product designed to cool indoor temperatures of buildings that will eventually target the Southeast Asia market
- **Manufacturing that is modern and efficient:** ISO certified, international manufacturing equipment utilized where nearly all projects are built to order
- **Enhanced marketing and sales** abetted by a state-of-the-art product showroom that emphasizes CCCL’s superior capabilities. Additional enhancements of the Hengda Exhibition Hall which should drive sales to a potentially consolidating large property sector.
- **New subsidiary formed** to provide computer server consulting which represents entry into high technology growth sector



# Comprehensive Product Suite

The company has over 2,000 size and color combinations

Porcelain  
*76.1% of Sales*



Polished Glaze  
*7.8% of Sales*



Rustic  
*12.4% of Sales*



Glazed Porcelain  
*1.8% of Sales*



Glazed  
*1.9% of Sales*



A wide array of standardized and made-to-order products

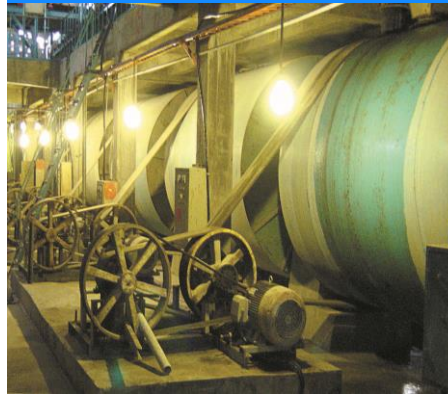


# Modern Plants Ensure High Quality and Superior Range of Products

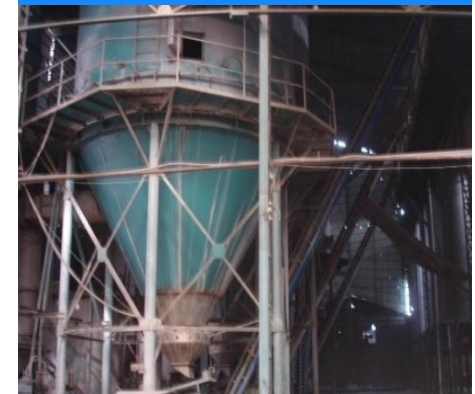
**Raw Material Inspecting**



**Mixing & Grinding**



**Spray Drying**



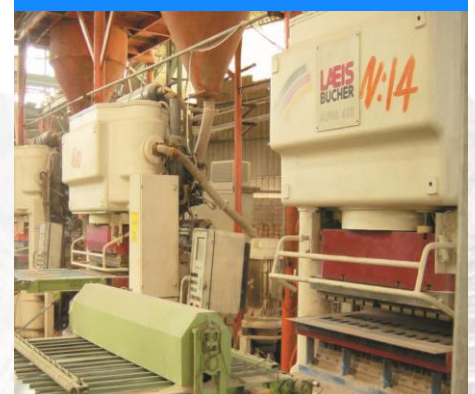
**Firing**



**Glazing**



**Molding**



**Plant's ISO 9001:2000 accreditation signifies high quality control processes**



# Established and Loyal Customer Base

- A large majority of ceramic tile products sold to 20 exclusive domestic distributors
- The top ten customers have purchased from CCCL for over 10 years each
- The top ten customers estimated to represent 80% of total sales in 2019
- Sales in Tier II and Tier III cities account for virtually all of domestic sales
- Ongoing contracts with large property developers in China include Evergrande, China Resources Land, China SCE Property, China National Real Estate Development Group, Poly Real Estate, Wanda Group, Sany Group and Green Town

## *Our Sales Coverage*







# Sales Process



- Excellent communication between our sales force and distributors avoids overlapping of sales
- Distributors required to make monthly reports on customer requirements
- Provide installation instructions and collect after-sales feedback by our sales force
- Seeking new highly-qualified distributors to expand geographic reach

**We typically book sales within 2-3 months of delivery**



# Selected Hengda Projects

Chengdu Kanjun Garden



**210,000 sq. meters**

China Resources Land Limited Lanxi Town



**100,000 sq. meters**

The 11th National Games Village



**95,000 sq. meters**

Hangzhou Redbud Garden



**53,000 sq. meters**

Xiamen Blue Gulf Peninsula



**133,000 sq. meters**

Shenyang Institute of Aeronautical Engineering



**97,000 sq. meters**



# Stable Supplier Base

- Dyes, clay and energy are the major raw materials for tile production, accounting for a substantial portion of our COGS
- Over 10 years' cooperation with key suppliers ensures on-time supply and reasonably stable pricing
- All raw materials are inspected on delivery for quality control

Raw Material	% of COGS	# of Suppliers
Dyes	22	8
Coal and gas	12	2
Clay	22	9
Glazing	3	4



# Plant Expansion and Capital Expenditures

## PLANT EXPANSION

(in Millions of Square Meters, or MSM)

### Cumulative

Hengda

Hengdali

Total

Total 2010 Capacity

28

10

38

Total 2011 Capacity

42

14

56

Total 2012 Capacity

42

30

72

Current Plant Capacity

22.8

28.8 (a)

51.6 (a)

Capacity Currently Being Utilized (a)

3.2

2.8

6.4

(a) For the six months ended Dec. 31, 2019. Production capacity has been reduced due to two old furnaces at the Hengda facility in July of 2018 and the leasing out of 10 MSM of production capacity at the Hengdali facility.

## CAPITAL EXPENDITURES (in MM)

Hengda

Hengdali

Total

Capex in 2011

\$ 23.9 M

\$ 44.6 M

\$ 68.5 M

Capex in 2012

\$ 3.0 M

Nil

\$ 3.0 M

Capex in 2013

\$ 7.4 M

\$ 8.4 M

\$ 15.8 M

Capex in 2015

\$ 1.6 M

\$ 23.0 M

\$ 24.6 M

Capex in 2017 - 2019

Nil

\$ 0.9 M

\$ 0.9 M





# Company Growth Strategy

## **1) Market Share Gain as a Result of the Industry Shake-Out of the Last 2 Years**

*A significant number of competitors could exit the space due to a tougher competitive environment and new energy guidelines.*

## **2) Leverage Customization Capabilities due to Modernized Plant Efficiencies**

*Enables accessibility to the company's customized and innovative product offerings*

## **3) Penetrate New Markets using Tier II and Tier III Marketing Experience**

*Urbanization coupled with demographic changes will remain compelling domestic trends for years to come*

## **4) Focus on Expanding Market with Bolstered R&D to Create New Products**

*Announced intention to enter the Southeast Asia market and new products such as the new cooling ceramic tile help to create a competitive advantage.*

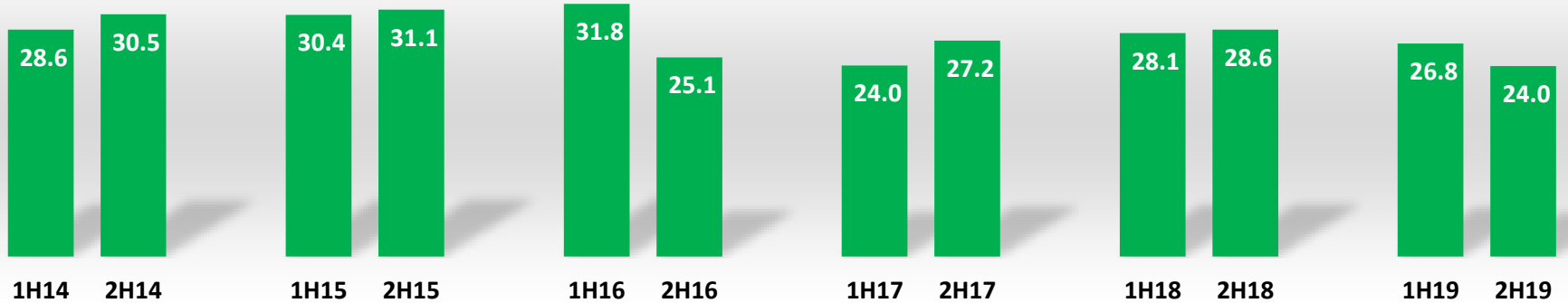
## **5) Capitalize Upon Expected Consolidation Among Large Property Developers**

*The company's deep product platform, modern manufacturing capabilities and strong balance sheet enable it to optimally service larger customers*



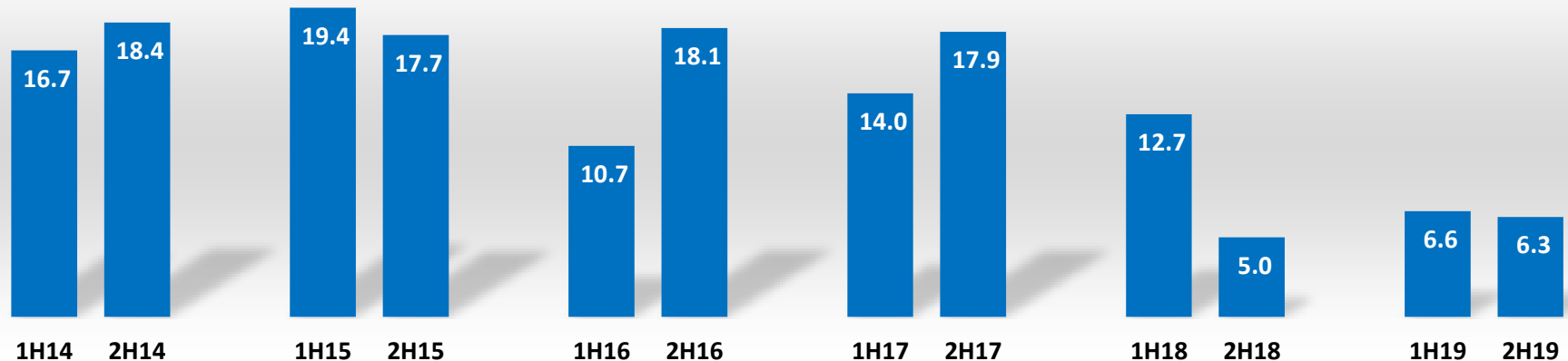
# Sales Volume and ASP Metrics

**Average Selling Price** (In RMB)



In October 2019, average pricing was reduced by an average of 15% ...

**Sales Volume** (In MSM)



... which resulted in a 26% increase in sales volume in 2H year-over-year



# Strong Balance Sheet

<i>(USD, in millions)</i>	<u>As of Dec. 31, 2018</u>	<u>As of Dec. 31, 2019</u>
	(Audited)	(Audited)
<b>Cash</b>	<b>1.56</b>	<b>1.58</b>
<b>Debt</b>	<b>--</b>	<b>--</b>
<b>Total Working Capital</b>	<b>40.1</b>	<b>39.2</b>
<b>Shareholders' Equity</b>	<b>40.1</b>	<b>39.2</b>
<b>Inventory Turnover</b>	<b>122</b>	<b>217</b>
<b>Trade Receivables Turnover</b>	<b>134</b>	<b>194</b>
<b>Trade Payables Turnover</b>	<b>32</b>	<b>30</b>



# Capital Markets: Key Differentiators

## Management

- New CEO is well-steeped in operations, working closely with founder
- CFO an English-speaking CPA formerly at Deloitte Touche
- Resilient and well-funded as able to access capital

## Oversight

- Independent Board directors with prominent business backgrounds
- Audit, nomination and compensation committees provide oversight
- Auditor Centurion ZD CPA is a highly acknowledged and well-known auditor

## Transparency

- Corporate, disclosure and regulatory best practices
- Regular investor communications via earnings calls, non-deal road shows, conferences

## Additional Measures

- Paid semi-annual dividends in 2013 and 2014.
- Company insiders have purchased shares from time to time
- US-based investor relations firm

**Measures that  
Build Confidence  
in the US Capital  
Markets**





# Management Team

## Meishuang Huang

*Chair & Chief Executive Officer*

- Formerly Assistant to CEO Jiadong Huang, the founder of the Company
- 6 years of experience in the Company's Treasury department
- Bachelor's in Business administration from JiMei University and postgraduate diploma from the Executive Development Program of Xiamen University

## Edmund Hen

*CFO*

- Former CFO of a Sichuan switchgear manufacturer and accountant for Dickson Concepts Ltd., a publicly-listed Hong Kong company
- Formerly at Deloitte Touche Tohmatsu and a variety of accounting firms
- Bachelor Degree from University of East Anglia, United Kingdom
- Associate member of Institute of Chartered Accountants in England and Wales, and of the Hong Kong Institute of Certified Public Accountants

## Peizhi Su

*Sales Deputy GM*

- Over 10 years of experience in the China ceramic tile industry
- Established a national sales network of distributors and property developers
- Also a Director of the Company

## Weifeng Su

*General Legal Counsel & Secretary*

- Lawyer at Fujian Minrong Law Firm from 2005 to 2007
- Graduated from the School of Law of Xiamen University
- Also a Director of the Company



# Board of Directors

## Meishuang Huang

*Chair & Chief  
Executive Officer*

- Formerly Assistant to CEO Jiadong Huang, the founder of the Company
- 6 years of experience in the Company's Treasury department
- Bachelor's in Business administration from JiMei University and postgraduate diploma from the Executive Development Program of Xiamen University

## Liu Jun

*Independent Member*

- Expertise in acquisitions, strategic planning and deal structuring, and serves as a consultant and advisor to several finance companies in China
- Senior. Manager of Dashang Group, a large retail chain in northeast China
- Bachelor's in Business Admin. from Dongbei University of Finance and Economics

## Roy Tan Choon Kang

*Independent Member*

- Previously CFO of Fuse Enterprises, a digital and mining company and previously Managing Partner of One Tree Partners, asset management company
- Commenced career at the Government of Singapore Investment Corporation.
- Joint MBA degree from National University of Singapore and Columbia University



# Board of Directors (continued)

**Shen Cheng  
Liang**

Independent Member

- Ceramics production expert with over 30 years of experience
- Previously Senior Production Engineer and General Manager at Fujian Yiyan Ceramics where he worked for 30 years.
- Bachelor's degree in material physics from Jingdezhen Ceramics College

**Alex Ng  
Man Shek**

Independent Member

- Served as corporate secretary of Nova Lifestyle (Nasdaq: NVFY) and COO of a NVFY subsidiary
- Worked in various companies in Hong Kong, Canada and China
- Bachelor's degree from York University, Canada





# Investment Thesis

- **China Ceramics is a strong competitor in a highly fragmented space**
- **Plant capacity ready to be utilized in a positive market environment**
- **Sustainable advantages due to capacity expansion, R&D, exclusive distributor relationships and world-class brands**
- **Construction materials industry expected to benefit from China's urbanization and construction trends**
- **Government policies are intent upon promoting urbanization to grow domestic GDP which should spur real estate development long-term**
- **Geographical location is optimal for supplier network**
- **2020 plan is to strategically market given challenging market conditions due to the COVID-19 pandemic with focus on new markets and new products**





# Corporate History

Founded in 1993 as a manufacturer of outdoor ceramic tiles in Jinjiang, Fujian Province

Received the certification of ISO9002, ISO9001 and ISO14001 in 1999; Gradually built up brand reputation

Introduced state-of-the-art equipment from abroad; developed plans to expand Hengda's capacity

*Named a Top Growing Enterprise by China Building Materials Association*

Acquired Hengdali facility in Jan.'10;

Total annual manufacturing capacity of both Hengda & Hengdali currently 72 million square meters

Listed on NASDAQ (CCCL) in November 2010

Owens 4 patents with right to use 11 more. Continuously focusing on R&D for environmental-friendly products

Completed merger with SPAC (CHAC) in November 2009



# Contact Information

## China Ceramics Co. Ltd.

Edmund Hen, CFO

Email: [info@cceramics.com](mailto:info@cceramics.com)

## Precept Investor Relations

David Rudnick

Tel: (1) 646 694-8538

Email: [david.rudnick@preceptir.com](mailto:david.rudnick@preceptir.com)

## SEC Attorney

Schiff Harden

Tel: (1) 202 778-6400

## Auditors

Centurion ZD CPA & Co.

Tel: (852) 2851-7954

This Presentation of China Ceramics Co., Ltd. was developed by the Company and Precept Investor Relations LLC and is intended solely for informational purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy the Company's stock. This presentation is based upon information available to the public, as well as other information from sources which management believes to be reliable, but is not represented by China Ceramics Co., Ltd. or Precept Investor Relations LLC as being fully accurate nor does it purport to be complete. Opinions expressed herein are those of management as of the date of publication and are subject to change without notice.