

NH CERAMICS LTD
HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2005

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

- 1(a)(i) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group	
	31/12/2005 S\$'000	31/12/2004 S\$'000
Revenue from supply of building materials		
Project sales	5,164	6,107
Retail sales	1,176	2,149
Revenue from interior design & renovation	1,068	1,211
	<u>7,408</u>	<u>9,467</u>
Costs and expenses		
Changes in stocks of trading goods	(374)	690
Purchases and services consumed	(5,336)	(7,208)
Salaries and employee benefits	(1,101)	(1,209)
Depreciation	(479)	(538)
Other operating expenses	(905)	(1,266)
Other income	(58)	32
Financial costs	(364)	(320)
	<u>(8,617)</u>	<u>(9,819)</u>
Loss before taxation	(1,209)	(352)
Taxation	-	-
Loss attributable to shareholders	<u>(1,209)</u>	<u>(352)</u>

- 1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-**

Loss before taxation is stated after crediting / (charging) the following:

	Group	
	31/12/2005 S\$'000	31/12/2004 S\$'000
Bad trade debts recovered	3	5
Write-back of allowance for doubtful trade debts	-	1
Allowances for diminution in value of club membership / quoted investments	(6)	(20)
Interest expenses	(342)	(288)
Loss on disposal of fixed assets	(15)	(3)
Write-back of allowances for stock obsolescence	396	25
Foreign exchange (loss) / gain	(66)	41

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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31/12/2005 S\$'000	30/06/2005 S\$'000	31/12/2005 S\$'000	30/06/2005 S\$'000
Fixed assets	11,647	12,356	-	-
Investments	29	33	-	-
Subsidiaries	-	-	3,402	3,402
Due from subsidiaries (non-trade)	-	-	3,727	3,749
Current assets				
Stocks	7,944	8,318	-	-
Trade debtors	2,881	3,524	-	-
Other debtors, deposits and prepayments	678	592	17	51
Fixed deposit	14	14	-	-
Cash and bank balances	89	57	4	5
	11,606	12,505	21	56
Current liabilities				
Trade creditors	3,043	2,716	-	-
Bills payable to banks (secured)	3,143	3,843	-	-
Progress billings in excess of work-in-progress	142	82	-	-
Amount owing to a director	1,161	720	-	-
Other creditors and accruals	905	859	86	88
Bank borrowings (current portion)	2,980	3,523	-	-
Bank overdrafts	2,697	2,710	-	-
Lease obligation (current portion)	83	97	-	-
	14,154	14,550	86	88
Net current liabilities	(2,548)	(2,045)	(65)	(32)
Non-current liabilities				
Bank borrowings (non-current portion)	4,431	4,402	-	-
Lease obligation (non-current portion)	62	98	-	-
	4,635	5,844	7,064	7,119
Equity				
Share capital	12,996	12,996	12,996	12,996
Share premium	197	197	197	197
Accumulated losses	(8,558)	(7,349)	(6,129)	(6,074)
	4,635	5,844	7,064	7,119

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1(b)(ii) In relation to the aggregate amount of the group's borrowings and debts securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

Amount repayable in one year or less, or on demand

As at 31/12/2005	
Secured	Unsecured
5,146	614

As at 30/06/2005	
Secured	Unsecured
5,711	619

Amount repayable after one year

As at 31/12/2005	
Secured	Unsecured
4,493	-

As at 30/06/2005	
Secured	Unsecured
4,500	-

Details of any collateral:

The Group's borrowings are secured by the following:

- Legal mortgage on a subsidiary's leasehold properties and freehold property
- Debenture by way of charge over a subsidiary's machinery
- Finance leases secured by a subsidiary's motor vehicles
- Corporate guarantee

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	01/07/2005 to 31/12/2005 S\$'000	01/07/2004 to 31/12/2004 S\$'000
Cash flow from operating activities		
Loss before taxation	(1,209)	(352)
Adjustment for:		
Bad trade debts recovered	(3)	(5)
Write-back of allowances for doubtful trade debts	-	(1)
Allowances for diminution in value of club membership / quoted investments	6	20
Depreciation of fixed assets	479	538
Interest expenses	342	288
Loss on disposal of fixed assets	15	3
Write-back of allowances for stock obsolescence	(396)	(25)
Operating cashflow before working capital changes	(766)	466
(Increase) / decrease in assets		
Stocks	770	(664)
Trade debtors	646	(679)
Other debtors, deposits and prepayments	(86)	5

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Increase / (decrease) in liabilities		
Trade creditors and bills payable to banks	(373)	2,253
Other creditors and accruals	46	(62)
Amount owing to a director	441	-
Progress billings in excess of work-in-progress	60	(164)
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Cash generated from operations	738	1,155
Interest paid	(342)	(288)
	<hr/>	
Net cash generated from operating activities	396	867
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Cash flow from investing activities		
Investment in quoted equity shares	(2)	(51)
Proceeds from sales of fixed assets	246	10
Purchase of fixed assets	(31)	(26)
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Net cash generated from / (used in) investing activities	213	(67)
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Cash flow from financing activities		
Net repayment of bank borrowings	(514)	(936)
Repayment of lease obligations	(50)	(55)
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Net cash used in financing activities	(564)	(991)
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Net increase / (decrease) in cash and cash equivalents	45	(191)
Cash and cash equivalents at beginning of period	(2,639)	(3,255)
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Cash and cash equivalents at end of period	<u>(2,594)</u>	<u>(3,446)</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital S\$'000	Share premium S\$'000	Accumulated losses S\$'000	Total equity S\$'000
Group				
As at 01/07/2004	12,996	197	(2,350)	10,843
Net loss for the period	-	-	(352)	(352)
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As at 31/12/2004	<u>12,996</u>	<u>197</u>	<u>(2,702)</u>	<u>10,491</u>
	<hr/>			
As at 01/07/2005	12,996	197	(7,349)	5,844
Net loss for the period	-	-	(1,209)	(1,209)
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As at 31/12/2005	<u>12,996</u>	<u>197</u>	<u>(8,558)</u>	<u>4,635</u>

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Company

As at 01/07/2004	12,996	197	(1,663)	11,530
Net loss for the period	-	-	(54)	(54)
As at 31/12/2004	12,996	197	(1,717)	11,476
As at 01/07/2005	12,996	197	(6,074)	7,119
Net loss for the period	-	-	(55)	(55)
As at 31/12/2005	12,996	197	(6,129)	7,064

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purposes since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There is no change in the Company's issued share capital since the last financial year.

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualification or emphasis of a matter).**

NA

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same account policies and methods of computation in the financial statements for the current reporting period as those in its audited financial statements as at 30 June 2005, except for the adoption of FRS 39: Financial Instruments - Recognition & Measurement which became effective for financial year beginning from 1 January 2005.

The Group also adopted the other various revisions in FRSs applicable from 1 January 2005.

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- 5 **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The adoption of the new FRS and the various revisions is currently assessed to have no significant financial impact.

- 6 **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-**

	Group	
	31/12/2005	31/12/2004
	Cents	Cents

Loss per share based on loss attributable to shareholders

*	Based on existing issued share capital	1.86	0.54
**	Based on fully diluted basis	1.86	0.54

* Loss per share for the six-month period ended 31 December 2005 and 2004 are computed based on 64,977,825 number of shares in issue.

** There have been no potentially dilutive securities in issue during the six-month period.

- 7 **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

- (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

	Group		Company	
	31/12/2005	30/06/2005	31/12/2005	30/06/2005
	Cents	Cents	Cents	Cents

*	Net asset value per ordinary share based on existing issued share capital as at the end of the period on	7.13	8.99	10.87	10.96
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* The net asset value per share is computed based on issued shares of the Group and Company as at 31 December 2005 and 30 June 2005.

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8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The Board of Directors of NH Ceramics Ltd would like to refer to the announcement of the Group's results for the financial year ended 30 June 2005, made on 26 August 2005, wherein the Directors stated, in respect of the commentary on the current year prospects, that barring any unforeseen circumstances, the Group was expected to perform better in the current financial year.

The operating subsidiaries of the Group are Nam Huat Tiling & Panelling Co., Pte. Ltd. ("NHTP"), Nam Tat Pte. Ltd. ("NT"), Living Elements Pte. Ltd. ("LE") and Nam Hong Properties Pte. Ltd. ("NHP").

NHTP, established in 1963 and currently in its 43rd year of operations, is a major supplier, stockist and distributor of ceramic and marble tile products and other building finishing materials to public and private sector projects & retailing to renovation contractors and homeowners.

NT, which commenced full operations in January 2004, is a distributor and Retail supplier of economy ranges of ceramic tiles directly to interior design & renovation contractors.

LE, which commenced full operations in February 2004, is a 'Design & Renovate' firm specialising in home and office renovations and refurbishments. The Board is pleased to note that LE has made a turnaround to profitability during the Interim period, as the Subsidiary had recorded losses from its acquisition amidst a weak renovation industry. The improvements in performance resulted from the restructuring of its organisation and business focus initiated over the past year. The Directors are cautiously optimistic of further improvements and contributions from this business segment.

NHP, incorporated on 11 February 2005, took a Master Tenancy for the entire shopping space (approx. 39,000 sq ft) at Podiums B & C, HDB Centre, Jalan Bukit Merah, to create a Specialist Renovation Products mini shopping mall comprising both Podiums. Podium B (25,000 sq ft) has been taken up by NHTP and NT to house their respective Showrooms. Podium C (14,000 sq ft) will be offered to other trades to service the Home Renovation market. NHP is expected to contribute to the turnover and profitability of the Group in the current financial year.

The Group recorded a turnover of \$7.41 million and a loss before tax of \$1.21 million for the first 6 months of FY2006 ended 31 December 2005. This compares against a turnover of \$9.47 million and a loss before tax of \$0.35 million for the corresponding period in interim FY2005 ended 31 December 2004.

The \$0.86 million increase in Group losses resulted mainly from a \$1.39 million loss from (i) decreases in turnover (\$0.64 million) and other income (\$0.09 million); (ii) showroom rental expenses (\$0.31 million); (iii) decrease in gross profits arising from lower selling prices (\$0.30 million); and (iii) increase in interests (\$0.05 million). This was partially offset by a \$0.53 million gain from (i) decrease in operating expenses (\$0.48 million); and (ii) decrease in depreciation (\$0.05 million).

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6 months ended Turnover	31/12/2005		31/12/2004	
	S\$'000	%	S\$'000	%
Tiles - Project Segment				
Public Sector	2,010	27.1	2,351	24.8
Private Sector	3,154	42.6	3,756	39.7
Tiles - Retail Segment	1,176	15.9	2,149	22.7
Renovation Segment	1,068	14.4	1,211	12.8
	7,408	100.0	9,467	100.0

The Retail Segment of NHTP and NT recorded a decrease in turnover to \$1.18 million in interim FY2006, down 45.23% from \$2.15 million in interim FY2005. The decrease in retail sales was exacerbated by the closure of the showroom at Kembangan Court and transition to the new 25,000 sq ft showhouse at HDB Centre, Jalan Bukit Merah. The commencement of the showhouse in November 2005 is expected to lead to an improvement in retail sales from the second half of the current financial year ending 30 June 2006.

The Renovation Segment of LE reflected a decrease in turnover by 11.81% to \$1.07 million in interim FY2006, as compared against \$1.21 million in interim FY2005.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Nil

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Directors are cautiously anticipating better performance of the Group arising from the various business initiatives conducted by the operating subsidiaries, inspite of the challenging times faced by the industry.

The increase in property development activities arising from improved economic sentiments have provided greater impetus to the Group's marketing efforts in the project segment, which augurs well for the Group going forward in 2006.

With the bulk of the renovation expenditure towards the launch of the new showhouse having been made over the past months, and retail revenue picks up at the new premises for NHTP and NT during the rest of the current financial year, the Group expects improvements to cash flow, turnover and profitability from the second half of the current financial year.

Barring any unforeseen circumstances, the Directors expect the Group to improve on its losses from the previous financial year.

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11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

None

(b) Corresponding period of the immediately preceding financial period

Any dividend declared for the corresponding period of the immediately preceding financial period?

None

(c) Date payable

NA

(d) Book closure date

NA

12 If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared/recommended since the end of the previous financial year ended 30 June 2005.

BY ORDER OF THE BOARD

**Ricky Paul Goh Moh Chye
Managing Director
14 February 2006**