

**NH CERAMICS LTD**  
**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2004**

**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	
	31/12/2004 S\$'000	31/12/2003 S\$'000
<b>Revenue from supply of building materials</b>		
Project sales	6,107	6,645
Retail sales	2,149	2,292
<b>Revenue from interior design &amp; renovation</b>	1,211	657
	<u>9,467</u>	<u>9,594</u>
<b>Costs and expenses</b>		
Changes in stocks of trading goods	690	23
Purchases and services consumed	(7,208)	(7,054)
Salaries and employee benefits	(1,209)	(1,353)
Depreciation	(538)	(518)
Other operating expenses	(1,266)	(1,519)
Other income	32	209
Financial costs	(320)	(313)
	<u>(9,819)</u>	<u>(10,525)</u>
<b>Loss before taxation</b>	(352)	(931)
Taxation	-	-
<b>Loss attributable to shareholders</b>	<u>(352)</u>	<u>(931)</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	
	31/12/2004 S\$'000	31/12/2003 S\$'000
Bad trade debts recovered	5	-
Write-back of provision for doubtful trade debts	1	2
Allowances for diminution in value of club membership / quoted investments	(20)	(13)
Interest expenses	(288)	(283)
Loss on disposal of fixed assets	(3)	(103)
Net allowances for stock obsolescence	25	(2)
Foreign exchange gain	41	321

**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.**

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	Group		Company	
	31/12/2004 S\$'000	30/06/2004 S\$'000	31/12/2004 S\$'000	30/06/2004 S\$'000
<b>Fixed assets</b>	15,103	15,628	-	-
<b>Investments</b>	40	9	-	-
<b>Subsidiaries</b>	-	-	7,689	6,989
<b>Due from subsidiaries (non-trade)</b>	-	-	3,779	4,518
<b>Current assets</b>				
Stocks	10,479	9,789	-	-
Trade debtors	3,426	2,741	-	-
Work-in-progress in excess of progress billings	96	-	-	-
Other debtors, deposits and prepayments	546	551	79	80
Fixed Deposit	14	-	-	-
Cash and bank balances	41	60	10	10
	<u>14,602</u>	<u>13,141</u>	<u>89</u>	<u>90</u>
<b>Current liabilities</b>				
Trade creditors	2,791	2,001	-	-
Bills payable to banks (secured)	3,886	2,422	-	-
Progress billings in excess of work-in-progress	-	68	-	-
Other creditors and accruals	493	556	81	67
* Bank term loans (current portion)	2,849	2,874	-	-
Bank overdrafts	3,501	3,315	-	-
Lease obligation (current portion)	86	100	-	-
	<u>13,606</u>	<u>11,336</u>	<u>81</u>	<u>67</u>
<b>Net current assets</b>	996	1,805	8	23
<b>Non-current liabilities</b>				
* Bank term loans (non-current portion)	5,079	5,990	-	-
Lease obligation (non-current portion)	166	206	-	-
Deferred taxation	403	403	-	-
	<u>10,491</u>	<u>10,843</u>	<u>11,476</u>	<u>11,530</u>
<b>Equity</b>				
Share capital	12,996	12,996	12,996	12,996
Share premium	197	197	197	197
Accumulated loss	(2,702)	(2,350)	(1,717)	(1,663)
	<u>10,491</u>	<u>10,843</u>	<u>11,476</u>	<u>11,530</u>

\* Certain "short term" bank loans have been reclassified as "long term" bank loans to reflect the non-current portion which are to be repaid after 12 months.

The comparative figures for these bank term loans have also been reclassified to conform with current period's presentation.

The effect of this reclassification is reduction of the current portion of bank term loans by S\$2,050,000 and S\$2,422,000 as at 31 December 2004 and 30 June 2004 respectively. The non-current portion of bank term loans are increased respectively.

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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 31/12/2004	
Secured	Unsecured
5,939	497

As at 30/06/2004	
Secured	Unsecured
5,762	527

Amount repayable after one year

As at 31/12/2004	
Secured	Unsecured
5,245	-

As at 30/06/2004	
Secured	Unsecured
6,196	-

**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
- 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	
	01/07/2004 to 31/12/2004 S\$'000	01/07/2003 to 31/12/2003 S\$'000
<b>Cash flow from operating activities</b>		
Loss before taxation	(352)	(931)
Adjustment for:		
Bad trade debts recovered	(5)	-
Write-back of allowances for uncollectible trade debts	(1)	(2)
Allowances for diminution in value of club membership / quoted investments	20	13
Depreciation of fixed assets	538	518
Interest expenses	288	283
Loss on disposal of fixed assets	3	103
Net allowances for stocks obsolescence	(25)	2
Operating cashflow before working capital changes	466	(14)
(Increase) / decrease in assets		
Stocks	(664)	(25)
Trade debtors and bills receivable	(679)	2,342
Other debtors, deposits and prepayments	5	17
Increase / (decrease) in liabilities		
Trade creditors and bills payable to banks	2,253	(617)
Other creditors and accruals	(62)	(224)
Progress billings in excess of work-in-progress	(164)	(59)
Cash generated from operations	1,155	1,420
Interest paid	(288)	(283)

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Net cash generated from operating activities	867	1,137
<b>Cash flow from investing activities</b>		
Investment in quoted equity shares	(51)	20
Proceeds from sales of fixed assets	10	-
Purchase of fixed assets	(26)	(1,537)
Net cash used in investing activities	(67)	(1,517)
<b>Cash flow from financing activities</b>		
Net proceeds of bank term loans	(936)	(22)
Repayment of lease obligations	(55)	(27)
Net cash used in financing activities	(991)	(49)
Net decrease in cash and cash equivalents	(191)	(429)
Cash and cash equivalents at beginning of year	(3,255)	(1,725)
Cash and cash equivalents at end of year	(3,446)	(2,154)

- 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 profit / (loss) S\$'000	Total equity S\$'000
<b>Group</b>				
As at 01/07/2003	12,996	197	(683)	12,510
Net loss for the year	-	-	(931)	(931)
As at 31/12/2003	12,996	197	(1,614)	11,579
As at 01/07/2004	12,996	197	(2,350)	10,843
Net loss for the year	-	-	(352)	(352)
As at 31/12/2004	12,996	197	(2,702)	10,491
<b>Company</b>				
As at 01/07/2003	12,996	197	2,453	15,646
Net loss for the year	-	-	(64)	(64)
As at 31/12/2003	12,996	197	2,389	15,582
As at 01/07/2004	12,996	197	(1,663)	11,530
Net loss for the year	-	-	(54)	(54)
As at 31/12/2004	12,996	197	(1,717)	11,476

- 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 purpose since the end of**

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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 2004.

- 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.**

NA

- 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	
		31/12/2004	31/12/2003
		Cents	Cents
Loss per share based on loss attributable to shareholders			
*	Based on existing issued share capital	0.54	1.43
**	Based on fully diluted basis	0.54	1.43
*	Loss per share for the six-month period ended 31 December 2004 and 2003 are computed based on 64,977,825 number of shares in issue.		

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\*\* 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	
	31/12/2004	30/06/2004	31/12/2004	30/06/2004
	Cents	Cents	Cents	Cents
*				
Net asset value per ordinary share based on existing issued share capital as at the end of the period on	16.15	16.69	17.66	17.74

\* The net asset value per share is computed based on issued shares of the Group and Company as at 31 December 2004 and 30 June 2004.

**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 30th June 2004, made on 20th August 2004, wherein the Directors stated, in respect of the commentary on the current year prospects, that barring any unforeseen circumstances, the Directors are optimistic of a better performance by the Group, with the objective of a recovery to profitability, in current FY2005.

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

NHTP, established in 1963 and currently in its 42nd 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 Group recorded a turnover of \$9.47 million and a loss before tax of \$0.35 million for the first 6 months of FY2005 ended 31st December 2004. This compares against a turnover of \$9.59 million and a loss before tax of \$0.93 million for the corresponding period in interim FY2004 ended 31st December 2003.

The Directors note that, despite a marginal decrease in turnover by 1.25% (\$0.13 million) from that of the previous corresponding period, the Group's concerted efforts to improve efficiency and reduce operating costs are continuingly bearing results, as the Group loss is now reduced by 62.37% (\$0.58 million) over the

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corresponding period in interim FY2004.

The recovery towards profitability is reflected in the results of the past two years:

	2nd Half FY2003 6-mth ended 30/06/2003	1st Half FY2004 6-mth ended 31/12/2003	2nd Half FY2004 6-mth ended 30/06/2004	1st Half FY2005 6-mth ended 31/12/2004
Turnover	\$9.57 million	\$9.59 million	\$7.55 million	\$9.47 million
Profit before tax	(\$1.73 million)	(\$0.93 million)	(\$0.85 million)	(\$0.35 million)

The \$0.58 million decrease in Group losses resulted mainly from a \$0.81 million gain from (i) increase in gross profits arising from higher selling prices (\$0.42 million); and (ii) decrease in operating expenses (\$0.39 million). This was partially offset by a \$0.23 million loss from (i) decreases in turnover (\$0.03 million) and other income (\$0.18 million); and (iii) increase in Interests and Depreciation (\$0.02 million).

6 months ended	31/12/2004		31/12/2003	
	S\$'000	%	S\$'000	%
Turnover				
Tiles - Project Segment				
Public Sector	2,351	24.8	3,644	38.0
Private Sector	3,756	39.7	3,001	31.3
Tiles - Retail Segment	2,149	22.7	2,292	23.9
Renovation Segment	1,211	12.8	657	6.8
	<u>9,467</u>	<u>100.0</u>	<u>9,594</u>	<u>100.0</u>

NHTP's projects order book, as at 31st December 2004, stands at \$6.56 million. This comprises 19 private and 20 public sector projects. This is in comparison to the order book as at 30th June 2004, at the end of FY2004, of \$7.19 million, which comprised 17 private and 19 public sector projects, and 31st December 2003, at the end of the corresponding previous period interim FY2004, of \$4.76 million, which comprised 11 private and 25 public projects.

The Retail Segment recorded a decrease in turnover to \$2.15 million in interim FY2004, down 6.24% from \$2.29 million in interim FY2004.

The Renovation Segment increased its turnover by 84.32% to \$1.21 million in interim FY2005 as compared against \$0.66 million in interim FY2004.

**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 Group expects improvements to its turnover and profitability for the current financial year, as demand for building finishes is anticipated to pick up from the doldrums of the past two years, amidst a significantly much

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improved business environment resulting from the fall out of competing firms.

The Group has also reviewed operational and financial policies and strategies, with new emphasis in maintaining an asset-light operating capability and further enhancing revenue capabilities.

Financial consolidation and re-structuring include disposal of fixed assets or investments which weigh heavily on the working capital and resources of the Group. The Directors expect the financial position and cash flow of the Group to be improved during the current financial year.

Upon the launch of the "NH CERAMICS Showhouse" at HDB Centre, the current showroom properties at Hougang and Kembangan will be disposed to reduce bank borrowings.

The past seven years have been extremely testing for the Building Finishes Industry. It has caused severe changes in the Industry, leading to the demise of many established competitors.

However, this has also generated positive consequences in creating a more stable and rational competitive environment, growth in professionalism and emphasis on value-add, competence and performance within the Building Finishes Industry in the provision of products and services.

Such advances are good for the Industry and favour established reputable firms with emphasis on value-added business models, quality of products and performance, rather than those merely engaging in price trading.

The Directors are pleased to note that the above Interim Results of the Group for FY2005 has given greater impetus and encouragement to management and staff towards the objective of a recovery to profitability.

Barring any unforeseen circumstances, the Directors expect the performance of the Group in the second half of FY2005 to be better than that of the first half.

**11 If a decision regarding dividend has been made:-**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended); and**

No

**(b)(i) Amount per share  
(Optional) Rate**

NA

**(b)(ii) Previous corresponding period  
(Optional) Rate**

NA

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (if the dividend is not taxable in the hands of shareholders, this must be stated).**

NA

**(d) The date the dividend is payable.**

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NA

- (e) The date on which Registrable Transfers received by the company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined.

NA

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

No dividend has been declared/recommendeded since the end of the previous financial year ended 30 June 2004.