

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

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

- 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	
	30/06/2005	30/06/2004
	S\$'000	S\$'000
Revenue from supply of building materials		
Project sales	11,173	10,954
Retail sales	3,828	4,745
Revenue from interior design & renovation	1,615	1,448
	<u>16,616</u>	<u>17,147</u>
Costs and expenses		
Changes in stocks of trading goods	(1,471)	(888)
Purchases and services consumed	(11,987)	(11,512)
Salaries and employee benefits	(2,401)	(2,092)
Depreciation	(1,061)	(1,065)
Impairment loss	(2,162)	-
Other operating expenses	(2,356)	(2,928)
Other income	63	228
Financial costs	(643)	(666)
	<u>(22,018)</u>	<u>(18,923)</u>
Loss before taxation	(5,402)	(1,776)
Taxation	403	109
Loss attributable to shareholders	<u>(4,999)</u>	<u>(1,667)</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	
	30/06/2005	30/06/2004
	S\$'000	S\$'000
Bad trade debts recovered	5	-
Write-back of provision for doubtful trade debts	1	5
Allowances for diminution in value of club membership / quoted investments	(27)	(18)
Allowances for uncollectible debts	(29)	(214)
Amortisation of preliminary expenses	(4)	-
Interest expenses	(587)	(615)
Gain/(loss) on disposal of fixed assets	4	(107)
Net allowances for stock obsolescence	(432)	(234)
Gain on disposal of investment property	-	1

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

Foreign exchange gain 59 340

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	
	30/06/2005	30/06/2004	30/06/2005	30/06/2004
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed assets	12,356	15,628	-	-
Investments	33	9	-	-
Subsidiaries	-	-	3,402	6,989
Due from subsidiaries (non-trade)	-	-	3,749	4,518
Current assets				
Stocks	8,318	9,789	-	-
Trade debtors	3,524	2,741	-	-
Other debtors, deposits and prepayments	592	551	51	80
Fixed Deposit	14	-	-	-
Cash and bank balances	57	60	5	10
	12,505	13,141	56	90
Current liabilities				
Trade creditors	2,716	2,001	-	-
Bills payable to banks (secured)	3,843	2,422	-	-
Progress billings in excess of work-in-progress	82	68	-	-
Amount owing to a director	720	-	-	-
Other creditors and accruals	859	556	88	67
* Bank borrowings (current portion)	3,523	2,874	-	-
Bank overdrafts	2,710	3,315	-	-
Lease obligation (current portion)	97	100	-	-
	14,550	11,336	88	67
Net current (liabilities)/assets	(2,045)	1,805	(32)	23
Non-current liabilities				
* Bank borrowings (non-current portion)	4,402	5,990	-	-
Lease obligation (non-current portion)	98	206	-	-
Deferred taxation	-	403	-	-
	5,844	10,843	7,119	11,530
Equity				
Share capital	12,996	12,996	12,996	12,996
Share premium	197	197	197	197
Accumulated loss	(7,349)	(2,350)	(6,074)	(1,663)
	5,844	10,843	7,119	11,530

* The comparative figures for certain "short term" bank borrowings have been reclassified as "long term" bank borrowings to reflect the non-current portion which are to be repaid after 12 months.

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

The effect of this reclassification was reduction of the current portion of bank borrowings by \$2.42 million as at 30 June 2004. The non-current portion of bank borrowings were increased respectively.

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:-

	As at 30/06/2005		As at 30/06/2004	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	5,711	619	5,762	527
Amount repayable after one year	4,500	-	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
- 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	
	Year ended 30/06/2005 S\$'000	Year ended 30/06/2004 S\$'000
Cash flow from operating activities		
Loss before taxation	(5,402)	(1,776)
Adjustments for:		
Bad trade debts recovered	(5)	-
Write-back of allowances for uncollectible trade debts	(1)	(5)
Allowances for diminution in value of club membership / quoted investments	27	18
Allowances for uncollectible trade debts	29	214
Depreciation of fixed assets	1,061	1,065
Impairment loss	2,162	-
Interest expenses	587	615
(Gain)/loss on disposal of fixed assets	(4)	107
Net allowances for stocks obsolescence	432	234
Gain on disposal of investment property	-	(1)
Operating cashflow before working capital changes	(1,114)	471
(Increase) / decrease in assets		
Stocks	1,039	654
Trade debtors	(806)	2,582
Other debtors, deposits and prepayments	(41)	164
Increase / (decrease) in liabilities		

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

Trade creditors and bills payable to banks	2,136	(2,396)
Other creditors and accruals	303	140
Amount owing to a director	720	-
Progress billings in excess of work-in-progress	14	2
Cash generated from operations	2,251	1,617
Interest paid	(587)	(615)
Net cash generated from operating activities	1,664	1,002
Cash flow from investing activities		
Proceeds from sales of quoted equity investments	(51)	-
Proceeds from sales of investment property	-	1,220
Proceeds from sales of fixed assets	101	21
Purchase of fixed assets	(48)	(1,710)
Investment in freehold property	-	(156)
Net cash generated from/(used in) investing activities	2	(625)
Cash flow from financing activities		
Net proceeds of bank borrowings	(939)	(1,786)
Repayment of lease obligations	(111)	(122)
Net cash used in financing activities	(1,050)	(1,908)
Net increase/(decrease) in cash and cash equivalents	616	(1,531)
Cash and cash equivalents at beginning of year	(3,255)	(1,724)
Cash and cash equivalents at end of year	(2,639)	(3,255)

The Board notes that, despite the loss before tax of \$5.40 million in FY2005, compared to the \$1.78 million loss before tax in FY2004, the Group managed to generate positive net cash of \$0.62 million in FY2005. This compares favourably against a corresponding net cash deficit of \$1.53 million in FY2004.

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 01/07/2003	12,996	197	(683)	12,510
Net loss for the year	-	-	(1,667)	(1,667)
As at 30/06/2004	12,996	197	(2,350)	10,843
As at 01/07/2004	12,996	197	(2,350)	10,843
Net loss for the year	-	-	(4,999)	(4,999)
As at 30/06/2005	12,996	197	(7,349)	5,844

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

Company				
As at 01/07/2003	12,996	197	2,453	15,646
Net loss for the year	-	-	(4,116)	(4,116)
As at 30/06/2004	<u>12,996</u>	<u>197</u>	<u>(1,663)</u>	<u>11,530</u>
As at 01/07/2004	12,996	197	(1,663)	11,530
Net loss for the year	-	-	(4,411)	(4,411)
As at 30/06/2005	<u>12,996</u>	<u>197</u>	<u>(6,074)</u>	<u>7,119</u>

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 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 accounting 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

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

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	
	30/06/2005	30/06/2004
	Cents	Cents
Loss per share based on loss attributable to shareholders		
* Based on existing issued share capital	<u>7.69</u>	<u>2.57</u>
** Based on fully diluted basis	<u>7.69</u>	<u>2.57</u>

* Loss per share for the year ended 30 June 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 year.

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	
	30/06/2005	30/06/2004	30/06/2005	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	<u>8.99</u>	<u>16.69</u>	<u>10.96</u>	<u>17.74</u>

* The net asset value per share is computed based on issued shares of the Group and Company as at 30 June 2005 and 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 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

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

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 supplier of economy ranges of ceramic tiles directly to interior design & renovation contractors in Retail residential and office renovations.

LE, which commenced full operations in February 2004, is a 'Design & Renovate' firm specialising in home and office renovations and refurbishments.

During the financial year, a new wholly owned subsidiary, Nam Hong Properties Pte Ltd ("NHP"), was incorporated on 11th February 2005. NHP has since signed an agreement with HDB, as Master Tenant, for the entire shopping space (approx. 25,000 sq ft) at Podium B, HDB Centre, Jalan Bukit Merah, and is currently finalising the inclusion of the entire shopping space at Podium C (approx. 14,000 sq ft). The space at Podium B has been taken up for the new Showrooms of NHTP and NT. Podium C will be sublet to third parties to create a Specialist Renovation Products mini shopping mall comprising both Podiums. NHP is expected to contribute to the turnover and profitability of the Group for the current financial year.

The turnover of the Group for FY2005 is \$16.62 million, a decrease of 3.1% (\$0.53 million) from the \$17.15 million recorded in FY2004.

Turnover for the first 6 months of FY2005 ended 31st December 2004 is \$9.47 million. This is a decrease of 1.3% from the \$9.59 million recorded in the corresponding period of FY2004 ended 31st December 2003. The Group recorded a loss before tax of \$0.35 million and \$0.93 million for the two respective interim periods.

Turnover for the second 6 months of FY2005 ended 30th June 2005 is \$7.15 million. This is a decrease of 5.4% from the \$7.56 million recorded in the corresponding period of FY2004 ended 30th June 2004. The Group recorded a loss before tax of \$5.05 million and \$0.85 million for the two respective periods.

For the full FY2005, the Group incurred a loss before tax of \$5.40 million. This is against a loss before tax of \$1.78 million in FY2004.

The \$3.62 million increase in Group losses for FY2005 resulted mainly from a \$4.37 million loss from (i) impairment losses of leasehold & freehold properties (\$2.16 million); (ii) reduction in selling prices (\$1.24 million); (iii) increase in salaries and CPF contributions (\$0.34 million); (iv) reduction in foreign exchange gains (\$0.28 million); (v) increase in provision for stock obsolescence (\$0.20 million); and (vi) reduction in turnover (\$0.15 million). This was partially offset by a \$0.75 million gain from (i) reduction in advertising expenses (\$0.31 million); (ii) reduction in bad debts (\$0.17 million); (iii) reduction in losses from disposal of fixed assets (\$0.11 million); (iv) reduction in operating expenses (\$0.08 million); (v) reduction in professional fees (\$0.05 million); and (vi) reduction in interests paid (\$0.03 million).

Turnover	June 2005		June 2004	
	S\$'000	%	S\$'000	%
Project Segment				
Public Sector	4,330	26.1	5,709	33.3
Private Sector	6,843	41.2	5,245	30.6
Retail Segment	3,828	23.0	4,745	27.7
Interior Design & Renovation Segment	1,615	9.7	1,448	8.4
	<u>16,616</u>	<u>100.0</u>	<u>17,147</u>	<u>100.0</u>

In the material supply Project Segment, amidst the weak construction industry where many major construction firms were facing serious financial difficulties, the Group retained a cautious approach in

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

the bid for projects. Total Project turnover increased by 2.0% (\$0.22 million) to \$11.17 million in FY2005 from \$10.95 million in FY2004.

NHTP's Project order book, as at 30th June 2005, stands at \$9.00 million. This compares favourably against the order book at 31st December 2004; 30th June 2004; 31st December 2003; 30th June 2003; at the end of each of the previous 6-monthly periods, of \$6.56 million, \$7.19 million, \$4.76 million, and \$6.91 million, respectively. The Board notes that the Project order book has continued to register growth.

The material supply Retail Segment suffered a 19.3% (\$0.92 million) decline in turnover, to \$3.83 million in FY2005 from \$4.75 million in FY2004, as home renovations continue to be held back or down-scaled. The entry by NT with budget ranges helped to increase the market share of the Group in a weak overall Retail market. The Directors expect the opening of the new NHTP Showroom to contribute positively to Group turnover and profits in the current financial year.

The expected turnaround in the Group's performance for FY2005, was hampered by several factors in the second half of FY2005. The completion of the new Showrooms for NHTP and NT at Podium B, HDB Centre, Jalan Bukit Merah, by mid February 2005, was delayed. The NT Showroom commenced operations in end April 2005. The bigger NHTP Showroom is expected to be opened for business in early September 2005. The extensiveness in scale and detailing required in the planning and design of the Showrooms, which included a comprehensive review of the collaboration with existing overseas Manufacturer Principals and securing new ones, caused delays in commencement of renovation and furnishing works. These delays resulted in the loss of Retail revenue which had been anticipated for the second half of the financial year.

The Group recognised impairment loss of \$2.16 million on its leasehold JTC factory properties at 1&3 Tuas Avenue 8; leasehold office premises at #01-10 E-Centre@Redhill at Jalan Bukit Merah; and freehold shop unit at #01-09 Kembangan Court at Jalan Masjid. The bases of the provisions were valuations provided by Colliers International (S) Pte Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd. These provisions compounded the loss for FY2005.

Home renovations continued to be suppressed during the financial year, adding another year of weak demand that has decimated many firms in the Home Renovation Industry. The growth in the Singapore economy in 2004 was not widespread enough to stimulate spending in home renovations. Amidst a weak demand in numbers, many home owners further took to scaling down their desired scope of renovation works and compromised on aesthetics and quality due to budget considerations. Despite losses incurred by LE for FY2005, the Directors have reviewed the professional focus and target market of LE and have initiated the process to improve LE's business model and strategy. Barring any unforeseen circumstances, the Directors are optimistic of a better FY2006 for LE and expect LE to contribute to Group profits in the current financial year.

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

In the announcement of the Group's Interim Results for the six months ended 31st December 2004, made on 4th February 2005, the Directors stated that "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".

The Directors had anticipated a recovery of the Group's performance based on improved turnover and profitability in the second half of FY2005, particularly from the Retail and Public Project Segments. These were, however, weaker than expected.

Delays in the renovation works at the new showrooms of NT and NHTP at HDB Centre, Jalan Bukit Merah, led to the loss of Retail sales revenue that the Group had anticipated.

Significant provisions were also made for the diminution of property values and stock obsolescence.

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

These resulted in the Group incurring losses for FY2005 ended 30th June 2005, with second half losses exceeding that of the first half.

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.

With the expected turnaround in economic sentiments arising from the initiation of the Integrated Resorts and Business Financial Centre, multiplier effects will be generated on the rest of the economy. It is already the opinion of many analysts and economists that 2006 will see a pickup in the Construction Sector. This augurs well for the Group. The Directors expect improvements to turnover and profitability for the current financial year, as demand for building finishes is anticipated to pick up from the doldrums of the past years, against a significantly much improved business environment resulting from the fall out of competing firms.

The Directors expect the financial position and cash flow of the Group to improve during the current financial year. Barring unforeseen circumstances, all the respective companies in the Group are expected to perform better in the current financial year.

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 year

Any dividend declared for the corresponding period of the immediately preceding financial year? 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/recommendeded since the end of the previous financial year ended 30 June 2004.

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

(This part is not applicable to Q1, Q2 & Q3 or Half Year Results)

- 13 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recent audited annual financial statements, with comparative information for the immediate preceding year.**

	Building Materials Project segment S\$'000	Retail segment S\$'000	Interior design & renovation S\$'000	Rental S\$'000	Adjustment & Elimination S\$'000	Group S\$'000
2005						
Turnover	11,173	4,205	2,420	242	(1,424)	<u>16,616</u>
Loss before taxation	(32)	(8,104)	(749)	(9)	3,506	(5,388)
Unallocated expenses						(14)
Taxation						403
Net loss for the year						<u>(4,999)</u>
Assets	10,635	17,868	288	14	(4,218)	24,587
Unallocated assets						307
Total assets						<u>24,894</u>
Liabilities	9,571	8,534	747	3	-	18,855
Unallocated liabilities						195
Total liabilities						<u>19,050</u>
Capital expenditures	226	663	9	-	(805)	93
Depreciation	392	627	47	-	(5)	1,061
Impairment loss on fixed assets	649	1,513	-	-	-	2,162
2004						
Turnover	10,954	5,142	1,495	-	(444)	<u>17,147</u>
Profit/(loss) before taxation	817	(2,014)	(550)	-	(16)	(1,763)
Unallocated expenses						(13)
Taxation						109
Net loss for the year						<u>(1,667)</u>
Assets	10,174	18,171	95	-	-	28,440
Unallocated assets						338
Total assets						<u>28,778</u>
Liabilities	7,951	8,825	450	-	-	17,226
Unallocated liabilities						709

NH CERAMICS LTD

Co. Reg. No.: 199704544C

Full Year Financial Statement And Dividend Announcement for the Year Ended 30/06/2005

Total liabilities						<u>17,935</u>
Capital expenditures	643	1,132	195	-	(18)	1,952
Depreciation	400	608	57	-	-	1,065

14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to the preceding paragraph 8.

15 A breakdown of sales.

	FY2005 S\$'000	Group FY2004 S\$'000	% increase / (decrease)
(a) Sales reported for first half year	9,467	9,594	(1.32)
(b) Operating loss after tax	(352)	(931)	(62.19)
(a) Sales reported for second half year	7,149	7,553	(5.35)
(a) Operating loss after tax	(4,647)	(736)	N/M

16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	-	-
Preference	-	-
Total	<u>-</u>	<u>-</u>

BY ORDER OF THE BOARD

Ricky Paul Goh Moh Chye
Managing Director
26/08/2005