



(Incorporated in the Republic of Singapore)
(Company Registration No. 199704544C)

(1) PROPOSED PLACEMENT OF 75,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF NH CERAMICS LTD

(2) PROPOSED CONVERTIBLE LOAN

1. INTRODUCTION

1.1 The Directors of NH Ceramics Ltd (the "Company") wish to announce that the Company has on 21 December 2006 entered into a term sheet (the "Term Sheet") with Chan Ewe Teik and Ko Beng Soo (collectively the "Placees"), pursuant to which:

- (a) the Placees have agreed to subscribe for 75,000,000 new ordinary shares (the "Placement Shares") in the capital of the Company at the price of S\$0.04 for each Placement Share (the "Placement") as follows:

<u>Placee</u>	<u>Number of Placement Shares</u>
Chan Ewe Teik	70,000,000
Ko Beng Soo	5,000,000

- (b) The Placees have agreed to grant a convertible Loan of S\$3,000,000 (the "Convertible Loan") to the Company, subject to the provisions thereunder.

2. THE PLACEMENT

2.1 The placement price of S\$0.04 for each Placement Share represents a discount of approximately 20% to the volume weighted average price per share of S\$0.05 for trades done on the SGX-ST on 7 December 2006, being the last market day prior to the trading halt (there was no trading effected on 15 December 2006 in the shares of the Company on the SGX-ST;) and a premium of approximately 20% to the net asset value per share of S\$0.0484 based on the audited consolidated financial statements of the Company for the financial year ended 30 June 2006. The Placement Shares when issued and fully paid will rank *pari passu* in all respects with the existing ordinary shares of the Company.

2.2 Conditions Precedent

The Term Sheet sets out certain key terms relating to the proposed Placement and constitutes a legally binding agreement between the parties relating to the key commercial terms of the proposed Placement, subject to the parties entering into a definitive Subscription Agreement. A definitive Subscription Agreement will be prepared to set out the full terms and conditions of the proposed Placement based on the key terms contained herein to be executed within thirty (30) days from the date hereof or such other later date to be agreed between the parties. The proposed Placement is subject, *inter alia*, to the following conditions precedent:

- (i) the due diligence investigation on the affairs of the Company by the Placees;
- (ii) the grant of a whitewash waiver from the Securities Industry Council ("SIC") and the Company obtaining a whitewash resolution from its shareholders in a general meeting;
- (iii) the approval of the shareholders of the Company in a general meeting;

- (iv) the approval in-principle of the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing of and quotation for the Placement Shares on the Official List of the SGX-ST Dealing and Automated Quotation System ("SGX-SESDAQ");
- (v) the appointment of such number of directors nominated by the Placees having regard to the proportion of his shareholding in the enlarged issued share capital of the Company on the issue of the Placement Shares;
- (vi) on completion of the Placement: (a) the Company and its subsidiaries ("the Group") are solvent; (b) none of the Group's bankers has declared an event of default under an agreement relating to the provision of any credit, banking or financing facilities to the Group; and (c) the Group is not subject to any legal proceedings (whether civil or criminal);
- (vii) the Company shall remain to be listed and meet the continuing criteria as a listing company pursuant to the requirements of the SGX-ST; and
- (viii) the issue of the Placement Shares will not result in the percentage of securities held in public hands to fall below 10% of its issued share capital.

2.3 Undertakings

Each of Paul Goh Moh Chye, the Executive Chairman, Managing Director and the controlling shareholder of the Company, Martina Ho Ngiet Mee, the spouse of Paul Goh Moh Chye and NH Investments Pte Ltd, the substantial shareholder of the Company, has agreed to provide the following undertakings:

- (i) to propose and vote in favour of the shareholders resolution(s) and white wash resolution proposed in the general meeting to approve the issue of the Placement Shares to the Placees; and
- (ii) not to sell, transfer or otherwise dispose of his/her/its respective interest in shares (both direct and deemed interest) for a period of six (6) months from the date of admission of the Placement Shares to the SGX-ST, and 50% of such interest for the next six (6) months.

2.4 Use of Proceeds

The gross proceeds from the Placement will be approximately S\$3,000,000. The proceeds will be used for working capital and acquisition(s) purposes.

2.5 Loan by the Placees

Pending completion of the Placement, the Placees shall grant to the Company a loan of S\$500,000 that is free of interest upon the execution of the definitive Subscription Agreement by the parties and the Share Charge Agreement by the persons referred to below, and a further loan of up to S\$2,500,000 that is free of interest, on such terms and to be drawn down on such dates and in such tranches to be mutually agreed between the parties. The said loans shall be used to fund the working capital of the Company and for such purpose as may be approved by the Placees. The Company shall repay the said loans to the Placees on demand, or at the sole option of the Placees, be applied towards the satisfaction of the issue price for the Placement Shares on completion of the subscription thereof.

Each of Paul Goh Moh Chye, Martina Ho Ngiet Mee and NH Investments Pte Ltd undertakes to charge all the shares held by each of them to the Placees to secure the Company's repayment of the said loans by executing a Share Charge Agreement and transferring their shares to the nominee securities account of a Depository Agent as may be designated by the Placees in furtherance of the Share Charge Agreement.

2.6 Financial Effects

The table illustrates the financial effects of the Proposed Placement on (i) the net assets value per share of the Company and (ii) the earnings per share of the Company based on the audited financial statements of the Group for the financial period ended 30 June 2006:

	Before the Proposed Placement (S\$)	After the Proposed Placement (S\$)
Effects of the Proposed Placement on the net assets value per share	0.0484	0.0439
Effects of the Proposed Placement on the earnings per share	\$-0.04151	\$-0.04151

2.7 Information on Placees

- 2.7.1 Chan Ewe Teik is an investor residing in Singapore of Malaysian nationality, who is a Director of Santa Fe Investment Ltd, an investment holding company which is engaged in the field of corporate restructuring, strategic planning and equity financing.
- 2.7.2 Ko Beng Soo, who is a Singapore Citizen, is the Managing Director of Zephyr Company (Private) Limited, a company which is principally engaged in the manufacture and printing of labels.

2.8 Singapore Code on Take-overs and Mergers

- 2.8.1 When completed, the Placement will increase the issued and paid up share capital of the Company to 139,977,825 ordinary shares. Under Rule 14 of the Singapore Code on Take-overs and Mergers and Section 139 of the SFA, any person together with persons acting in concert with him acquiring shares 30% or more of the Company shall be required to make a mandatory general offer for those shares not already owned by him and his concert parties. As at the date hereof, the number of the issued share capital of the Company is 64, 977,825 ordinary shares. Based on this figure, upon their issue, the Placement Shares will represent approximately 53.58% of the enlarged issued and paid-up share capital of the Company.
- 2.8.2 An application will be made to the SIC for a waiver of the obligation by the Placees from having to make a mandatory general offer as a result of the allotment and issue of the Placement Shares to the Placees, and such waiver is a condition precedent to the proposed Placement.
- 2.8.3 The issue of the Placement Shares will be subject to shareholders' approval by way of an ordinary resolution to be put to the shareholders of the Company at an extraordinary general meeting ("EGM") to be convened. The proposed Placement and the proposed whitewash resolution for the waiver of the rights of the independent shareholders of the Company to receive a mandatory general offer from the Placees for the remaining issued and paid-up shares of the Company not owned or controlled by them, as a result of the completion of the Placement are subject to the approval of the shareholders of the Company at an EGM to be convened. A Circular containing further details of the said matters and enclosing a notice of EGM in connection therewith will be despatched to the shareholders of the Company in due course.

2.9 Interests of Directors and Substantial Shareholders

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Placement.

3. CONVERTIBLE LOAN

- 3.1 The Term Sheet also sets out certain key terms relating to the grant of an interest free Convertible Loan by Chan Ewe Teik and/or such other co-investor(s) as may be procured by him (each referred to as the "Lender"), to the Company, which constitutes a legally binding commitment and agreement amongst the parties subject to the parties entering into a definitive Convertible Loan Agreement.
- 3.2 The Company intends to use the convertible loan to repay bank loans and fund its working capital.
- 3.3 The entire principal amount of the Convertible Loan may be converted into new ordinary shares in the Company at the issue price of S\$0.04 for each new share at the sole and absolute discretion of the Lenders at any time within a period of two years from the date of the Convertible Loan Agreement. The whole principal amount of the Loan (or any part thereof) if not converted to new shares in the Company shall be repaid by the Company in cash on the expiry date of the Convertible Loan Agreement.
- 3.4 The convertible loan shall be subject to:
- (i) the grant of a whitewash waiver from SIC and the Company obtaining a whitewash resolution from its shareholders in a general meeting. The Lenders shall have the right to waive this condition precedent as they may deem fit at their sole and absolute discretion;
 - (ii) the approval of the SGX-ST for the listing of and quotation for the new shares to be issued on conversion of the convertible loan on the Official List of the SGX-SESDAQ;
 - (iii) the approval of the shareholders of the Company in a general meeting; and
 - (iv) the issuance of the new shares on conversion of the Convertible Loan will not result in the percentage of securities held in public hands to fall below 10% of its issued share capital.

4. FURTHER INFORMATION

- 4.1 The subscription of the Placement Shares and the Convertible Loan are separate and independent agreements and transactions, and the enforceability and performance of the parties' obligations thereunder are not conditional upon each other.
- 4.2 None of the Placement Shares will be placed by the Company with any person or groups of persons disallowed by the SGX-ST as set out under Rule 812 of the Listing Manual of the SGX-ST.
- 4.3 Shareholders and potential investors should note that the Placement is subject to the fulfilment of, inter alia, the conditions set out above, including the obtaining of the relevant regulatory approvals in Singapore, and accordingly should exercise caution when trading in the shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

PAUL GOH MOH CHYE
MANAGING DIRECTOR

21 December 2006