



NH CERAMICS LTD (THE "COMPANY")  
Company Registration No.: 199704544C

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## ANNOUNCEMENT – PROPOSED INVESTMENT IN THE COMPANY

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### 1. INTRODUCTION

The Board of Directors (the "**Board**") of the Company is pleased to announce that the Company has entered into a non-binding term sheet (the "**Term Sheet**") with Maryland Pacific Ltd ("**Maryland**") and Lee Yong Miang ("**LYM**") (collectively, the "**Investors**") in relation to, *inter alia*, a proposed investment by the Investors in the Company by way of a convertible loan (the "**Proposed Investment**").

### 2. RATIONALE

The Company is an established supplier and distributor of premier grade ceramic, marble and granite tile products to architects, developers, contractors and home owners.

Anticipating the recovery in the construction sector and home renovation market, the Group has been focussing on consolidating its core business, disposing of non-vital fixed assets, and improving and developing new revenue bases. These included, *inter alia*, improving the quality and competitiveness of its products, expanding its scope of project work, and exploring new markets.

The construction industry is currently experiencing a revival, spurred by macro economic growth in Singapore and its multiplier effects on property developments. The proposed Integrated Resorts and Business Financial Centre are also expected to boost demand in the construction industry. The Directors believe that this Investment exercise is timely and will help the Group to ride the recovery in the domestic construction sector.

The Proposed Investment will strengthen the equity base of the Group and inject S\$4.997 million of fresh funds to implement the new initiatives of the Group and enhance overall working capital.

These new initiatives are expected to contribute positively to the revenue and profitability of the Group from its current financial year.

### 3. INFORMATION ON THE INVESTORS

Maryland is a company incorporated in the British Virgin Islands and is wholly-owned by Mr Lim Oon Cheng. Both Mr Lim Oon Cheng and LYM are high net-worth private investors and are not related in any way to the directors or substantial shareholders of the Company.

The Term Sheet provides that the final list of Investors and their respective investment amounts may be subject to change upon mutual agreement between the parties.

### 4. PRINCIPLE TERMS OF THE PROPOSED INVESTMENT

#### 4.1 The Convertible Term Loan

Under the terms of the Term Sheet, the Investors propose to invest S\$4.997 million in the Company by way of a convertible term loan (the "**Loan**"). The Loan will be for a term of 2

years from disbursement, with interest at 8% p.a. payable upon maturity or event of default. The Loan is convertible into fully-paid new ordinary shares in the Company at any time during the term of the Loan at the sole option of the Investors. The Loan shall be converted into new ordinary shares in the Company at the agreed conversion price of S\$0.0263 per share, representing a total of 190 million new shares in the capital of the Company to be issued to the Investors upon conversion (the "**New Shares**").

Each of NH Investments Pte Ltd, Paul Goh Moh Chye and Martina Ho Ngiet Mee shall grant a fixed charge in favour of the Investors over all the shares held by each of them in the Company, amounting in aggregate to approximately 67% of the Company's issued share capital.

Shareholders of the Company (the "**Shareholders**") should note that the Term Sheet is not legally binding between the parties, as it merely sets out a framework for a definitive Loan agreement to be discussed between the parties. The Investors and the Company shall use all reasonable efforts to sign the definitive Loan agreement within 7 days after the SIC Approval and to fund the Loan within 7 days after signing the Loan agreement.

#### **4.2 Moratorium**

The Term Sheet states that the Investors undertake that they shall not, for a period of six (6) months from the date of the allotment and issue of the New Shares, offer or sell any of the New Shares or procure that any of the New Shares be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public.

#### **4.3 Appointment of Directors**

The Term Sheet contemplates that, upon the conversion of the Loan, the Investors shall be entitled to appoint such number of directors to the Board, having regard to the proportion of the Investors' shareholding in the Company.

### **5. CONDITIONS PRECEDENT**

The Term Sheet provides that the following shall, *inter alia*, be conditions precedent to the transaction:

- (i) Shareholders' approval for (a) the Proposed Investment; (b) a waiver for the Investors and their respective concert parties from having to make a mandatory offer for the remaining shares in the issued share capital of the Company upon the conversion of the Loan (the "**Whitewash Resolution**"); and (c) the transfer of a controlling interest to the Investors;
- (ii) the receipt of in-principle approval from SGX-ST for the listing of and quotation for the New Shares on the SGX-ST Dealing and Automated Quotation System (the "**SGX-SESDAQ**");
- (iii) receipt of waiver from the Securities Industries Council in relation to the Investors' obligation to make a mandatory offer for the shares in the Company pursuant to the Proposed Investment (the "**SIC Approval**");
- (iv) the execution of a share charge by NH Investments Pte Ltd, Paul Goh Moh Chye and Martina Ho Ngiet Mee;
- (v) each of NH Investments Pte Ltd, Paul Goh Moh Chye and Martina Ho Ngiet Mee giving an irrevocable undertaking to the Investors to vote in support of the Whitewash Resolution at the extraordinary general meeting of the Company; and

- (vi) the loan of S\$1.60 million from Paul Goh Moh Chye to the Company being written off in full.

## 6. FINANCIAL EFFECTS

The table illustrates the financial effects of the Proposed Investment on the (i) net tangible assets per share of the Company and the (ii) earnings per share of the Company for the most recently completed financial year of the Company (i.e the financial year ended 30 June 2006)<sup>1</sup>:

	Before Proposed Investment (S\$)	After Proposed Investment (S\$)
Effects of Proposed Investment on Net Tangible Assets Per share	0.0484	0.0257 <sup>2</sup>
Effect of Proposed Investment on Earnings Per Share	-0.0415	-0.0043 <sup>3</sup>

- 1 Based on the audited accounts for the most recent completed financial year of the Company.
- 2 On the assumption that the Proposed Investment had been effected at the end of FY2006.
- 3 On the assumption that the Proposed Investment had been effected at the beginning of FY2006.

## 7. DIRECTORS' INTEREST

Save as disclosed above, none of the directors or controlling shareholders of the Company is interested, directly or indirectly in the Proposed Investment.

## 8. FURTHER INFORMATION

The Company will make further announcements concerning the Proposed Investment and the other transactions referred to above, and such other information as may be required by the SGX-ST Listing Manual, at the appropriate time.

Shareholders and potential investors should note that as the Proposed Investment is subject to the entry into of definitive agreements and subject to conditions precedent being fulfilled, there is no assurance that the Proposed Investment or the other transactions contemplated under the Term Sheet will be completed. Accordingly, holders of securities in the Company and investors are advised by the Board to exercise caution in their dealings in the securities of the Company and to seek their own financial and legal advice where appropriate.

BY ORDER OF THE BOARD

PAUL GOH MOH CHYE  
MANAGING DIRECTOR

12 March 2007