

HYFLUX LTD

**First Quarter Financial Statement And Dividend Announcement for the
Period Ended 31/03/2004**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF
QUARTERLY (Q1, Q2 & Q3),**

HALF-YEAR AND FULL YEAR RESULTS

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

	1 Jan 2004 to 31 Mar 2004 \$'000	1 Jan 2003 to 31 Mar 2003 \$'000	Increase/ (Decrease) %
Revenue	12,105	10,714	13%
Other operating income	178	40	344%
Raw and consumable materials	(4,034)	(4,458)	(10%)
Personnel expenses	(1,632)	(1,931)	(15%)
Depreciation and amortisation	(774)	(589)	31%
Other operating expenses	(1,171)	(865)	35%
Profit from operations	4,672	2,911	60%
Financial expenses – net	(89)	(85)	5%
Profit before share of results of associate	4,583	2,826	62%
Share of results of associate	(3)	-	nm
Profit before taxation and minority interests	4,580	2,826	62%
Taxation	-	(565)	nm
Profit after taxation and before minority interests	4,580	2,261	103%

Minority interests	(1,394)	167	nm
Net profit for the year	3,186	2,428	31%
nm means not meaningful			

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	Group	Company	Company
	31 Mar	31 Dec	31 Mar	31 Dec
	04	03	04	03
	\$'000	\$'000	\$'000	\$'000
<u>SHARE CAPITAL AND RESERVES</u>				
Share capital	15,651	15,624	15,651	15,624
Share premium	31,892	31,606	31,892	31,606
Translation reserve	(933)	(667)	-	-
Revenue reserve	42,102	38,916	30,385	31,155
Shareholders' equity	88,712	85,479	77,928	78,385
Minority interests	2,544	1,055	-	-
Total capital and reserves	91,256	86,534	77,928	78,385
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	14,756	15,120	1,224	1,110
Construction in progress	25,850	10,071	-	-
Investment in subsidiaries	-	-	7,584	7,269
Investment in associate	334	351	-	-
Long-term investments	3,432	3,432	-	-
Intangible assets	10,267	9,117	127	99
Due from subsidiaries (non-trade)	-	-	40,647	40,055
Total non-current assets	54,639	38,091	49,582	48,533
<u>CURRENT ASSETS</u>				
Cash and bank balances	5,068	5,389	337	248
Fixed deposits	40,013	26,505	7,671	10,633
Inventories	7,588	7,982	1,241	1,077
Contracts work-in-progress	17,104	15,759	-	-
Trade receivables	18,929	19,517	13,369	13,307

Other receivables, deposits and prepayments	6,174	2,915	215	63
Due from subsidiaries (trade)	-	-	10,617	10,215
Total current assets	94,876	78,067	33,450	35,543
<u>CURRENT LIABILITIES</u>				
Trade payables	14,968	20,425	1,257	1,504
Other payables and accruals	1,965	1,353	45	59
Provision for income tax	605	595	-	-
Provision for warranty	50	50	-	-
Provision for directors' fees	243	243	243	243
Hire purchase obligations, current	20	32	-	-
Finance lease obligations, current	14	14	-	-
Trust receipts	1,193	-	-	-
Short term loans	2,228	2,291	-	-
Long term loans, current	1,636	1,579	1,636	1,579
Total current liabilities	22,922	26,582	3,181	3,384
Net current assets	71,954	51,485	30,269	32,159
<u>NON-CURRENT LIABILITIES</u>				
Hire purchase obligations, non-current	-	-	-	-
Finance lease obligations, non-current	45	48	-	-
Deferred tax liabilities	288	271	-	-
Long term loan, non-current	35,004	2,723	1,923	2,307
Total non-current liabilities	35,337	3,042	1,923	2,307
Net assets	91,257	86,534	77,928	78,385

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.
Amount repayable in one year or less, or on demand**

As at 31/3/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
34	5,057	46	3,870

Amount repayable after one year

As at 31/3/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
45	35,004	48	2,723

Details of any collateral

Underlying assets in the hire purchase and finance leases.

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

	1 Jan 2004 to 31 Mar 2004 \$'000	1 Jan 2003 to 31 Mar 2003 \$'000
Cash Flows from operating activities		
Profit before tax	4,580	2,826
Adjustments:		
Share of results of associate	3	-
Amortisation of intangible assets	235	198
Depreciation of property, plant and equipment	539	391
Interest expense	136	97
Interest income	(47)	(12)
Operating profit before working capital changes	<u>5,446</u>	<u>3,500</u>
Inventories	394	(893)
Contracts work-in-progress	(1,345)	(5,386)
Trade receivables	588	5,201
Other receivables, deposits and prepayments	(3,259)	(2,712)
Trade payables	(5,457)	(1,750)
Other payables and accruals	612	1,558
Bills payable	1,193	-
Cash used in operations	<u>(1,828)</u>	<u>(482)</u>
Interest paid	(136)	(97)
Income tax paid	30	-
Net cash used in operating activities	<u>(1,934)</u>	<u>(579)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(370)	(701)
Construction in progress	(15,779)	-
Proceeds from disposal of property, plant and equipment	87	-
Acquisition of intangible assets	(1,388)	(235)
Interest received	47	12
Net cash used in investing activities	<u>(17,403)</u>	<u>(924)</u>
Cash flows from financing activities		
Proceeds from issue of new shares	313	11,944
Payment of hire purchase obligations	(12)	(13)
Payment of finance lease obligations	(3)	(3)
(Payment of) proceeds from short term loans	(63)	1,095
Proceeds from (payment of) long term loans	32,338	(414)
Net cash from financing activities	<u>32,573</u>	<u>12,609</u>
Net increase in cash and cash equivalents	13,236	11,106
Cash and cash equivalents at beginning of the year	31,894	17,108
Effect of exchange rate changes	(49)	(29)
Cash and cash equivalents at end of the year	<u>45,081</u>	<u>28,185</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.

Group	Share capital \$'000	Share premium \$'000	Translation reserve \$'000	Revenue reserve \$'000	Total \$'000
Balance at 1 January 2004	15,624	31,606	(668)	38,916	85,478
Issue of shares for cash	27	312	-	-	339
Expenses on shares issuance	-	(26)	-	-	(26)
Foreign currency translation difference	-	-	(265)	-	(265)
Net profit for the period	-	-	-	3,186	3,186
Balance at 31 March 2004	15,651	31,892	(933)	42,102	88,712
Balance at 1 January 2003	11,809	22,378	(647)	20,375	53,915
Issue of shares for cash	604	11,342	-	-	11,946
Expenses on shares issuance	-	(2)	-	-	(2)
Foreign currency translation difference	-	-	571	-	571
Net profit for the period	-	-	-	2,428	2,428
Dividends	-	-	-	(1,181)	(1,181)
Balance at 31 March 2003	12,413	33,718	(76)	21,622	67,677
Company					
Balance at 1 January 2004	15,624	31,606	-	31,155	78,385
Issue of shares for cash	27	312	-	-	339
Expenses on shares issuance	-	(26)	-	-	(26)
Net profit for the period	-	-	-	(770)	(770)
Balance at 31 March 2004	15,651	31,892	-	30,385	77,928
Balance at 1 January 2003	11,809	22,378	-	13,859	48,046
Issue of shares for cash	604	11,342	-	-	11,946
Expenses on shares issuance	-	(2)	-	-	(2)
Net profit for the period	-	-	-	(231)	(231)
Dividends	-	-	-	(1,181)	(1,181)
Balance at 31 March 2003	12,413	33,718	-	12,447	58,578

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.

1. 523,000 new ordinary shares of \$0.05 each were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme").

2. As at 31 March 2004, the outstanding and unexercised Options granted under the Scheme were 15,789,725 shares (31 March 2003: 9,849,000 shares).

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.

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

Not applicable

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 same accounting policies and methods of computation are being followed as in the audited financial statements for year ended 31 December 2003.

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.

Not applicable.

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.

	Jan – Mar 2004	Jan – Mar 2003
Earnings per ordinary share after deducting any provision for preference dividends were:		
Based on the weighted average number of ordinary shares in issue; and	1.02 cents	0.78 cents
On a fully diluted basis	1.00 cents	0.78 cents

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.**

	31 Mar 2004	31 Dec 2003
Net asset value per ordinary share of:		
Group	28.3 cents	27.4 cents
Company	24.9 cents	25.1 cents

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.

Income Statement

For the 1st quarter ended 31 March 2004, the group's revenue rose by 13% to S\$12.1 million and net profit increased by 31% to S\$3.2 million.

Backed by strong growth in China industrial sales from the biotechnology, pharmaceutical and petrochemical sectors, industrial sales increased by 260% to S\$9.6 million and represented 79% of the total revenue. The balance 21% of the revenue came from the new consumer division. There were no municipal sales in this quarter as all municipal contracts were completed in 2003. This is in contrast to a year ago when 75% of total revenue of S\$10.7 million was from municipal sales and 25%

from industrial sales. As a result of higher industrial sales, gross margin improved from 58% in 1Q03 to 66% in this quarter. Profit from operation increased by 60% to S\$4.6 million primarily due to higher revenue and gross margin and lower personnel expenses, partially offset by higher other operating expenses. Increase in other operating expenses largely resulted from the new consumer division and legal costs incurred to obtain financing facilities for the group. The net effect was an improvement in net profit margin to 26% from 23% last year.

Balance Sheet

Improved operating performance strengthened the equity to S\$88.7 million for the period ended 31 March 2004 compared to S\$85.5 million at the beginning of the year.

The working capital of the group was up by 40% to S\$71.2 million mainly due to cash and deposit rising by S\$13.2 million to S\$ 45.1 million. Increase in other receivables largely due to GST receivables and insurance prepayments.

Total fixed and non current assets increased by 43% to S\$54.6 million mainly due to construction in progress for the seawater desalination plant and intangible assets representing expenditures on development projects.

Long-term loan increased by S\$32.3 million mainly due to the project financing loan draw down for the capital expenditure for the seawater desalination plant resulted in debt equity ratio of 0.44 compared to a year ago of 0.12. Excluding the project financing loan, the debt equity ratio of the group is 0.08.

Earnings per share improved by 31% to 1.02 cents from 0.78 cents for the same period last year.

Cashflow Statement

The group has a strong cash position of S\$45.0 million as at 31 March 2004. Net cash used in the operating activities amounted to S\$1.9 million mainly due to increase in working capital. Proceeds from long-term loans of S\$32.3 million were used for the capital expenditure for the seawater desalination plant.

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

The Group is on track to achieve its target of another year of growth.

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.

For 2004, China will continue to be a high growth market for us in the pharmaceutical, biotechnology and the new chemical and petrochemical segments. In the Singapore market, we will continue to tender for municipal projects. The group remains cautiously optimistic of the prospects this 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

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

Not applicable

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 recently audited annual financial statements, with comparative information for the immediately preceding year.

<Place tabular results and/or notes here>

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.

15. A breakdown of sales.

<Refer to Para 15 of Appendix 7.2 for the required details. Place tabular results and/or notes here>

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 (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year ()	Previous Full Year ()
Ordinary		
Preference	0	0
Total:		

BY ORDER OF THE BOARD

Lim Kim Seng
Company Secretary
11/05/2004