



epure 伊普国际

EPURE INTERNATIONAL LTD.



For a  
Better  
World

annual report 2007

exploring ways  
to make the world

a Better  
Place



We are Epure International Ltd. ("Epure" or the "Company"), one of the leading turnkey water and wastewater treatment solutions providers in the PRC that is backed by extensive R&D, technical expertise and a proven track record.

We develop proprietary water and wastewater treatment technologies and customise them into effective turnkey solutions for both industrial and municipal projects. With over 10 years of industry experience, Epure is sought for its strong project management capabilities and award-winning portfolio of large-scale and complex projects spanning across the PRC and in different industries.

As a testimony of our capabilities, International Finance Corporation (IFC), the private sector arm of the World Bank Group which promotes socially and environmentally sustainable private sector investments, has invested US\$10 million in our Company and is now a substantial shareholder.



about our  
2007 annual report

At Epure, we recognise that our children are growing up in a different world than the one most of us experienced only a generation ago. We know that, as the world becomes smaller and more developed, preserving the environment is a growing concern, not only for our children but for our children's children.

Our annual report for 2007 is about seeing the world through their eyes, making sense of it from their perspective—their hopes and aspirations not only for themselves but for the global community they are bound to share ties with. In our own way, we are giving voice to our children who deserve a better future, and challenging every one of us to start appreciating and taking care of our world with the childlike wonder.

03 Letter to Shareholders

08 Financial Highlights

10 CEO's Operations Review

18 Board of Directors

20 Key Executive

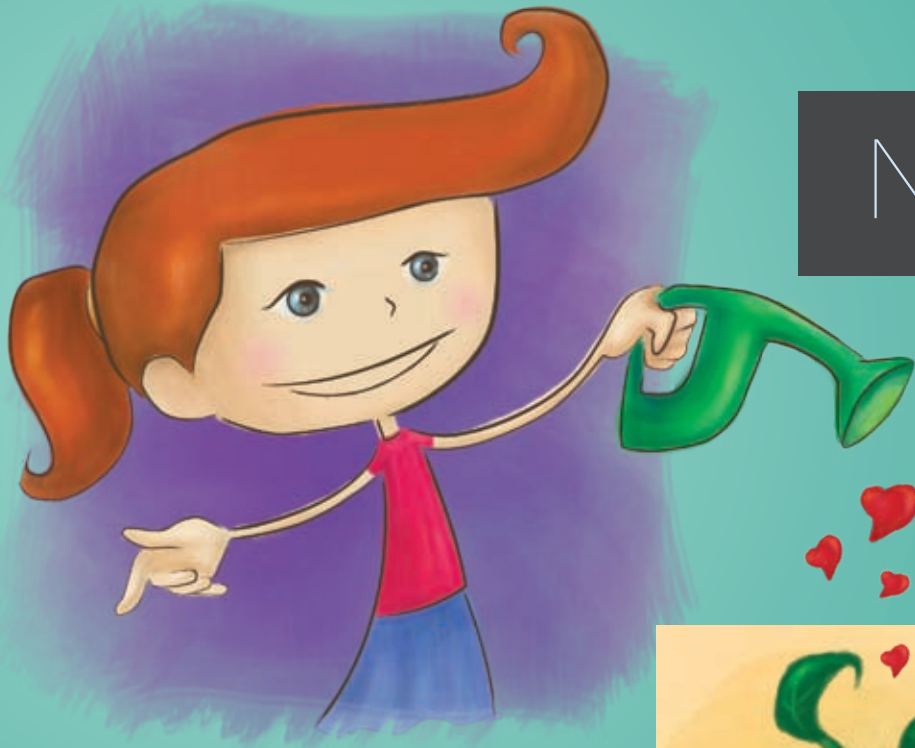
22 Corporate Structure

23 Corporate Information

24 Financial Contents

Nature is my

*friend.*



it **takes care** of me and I **take care** of it.



Dear Shareholders,

On behalf of the Board of Directors, I am honoured to thank you for the continued trust and support you have given to my team at Epure International Ltd. The Company was able to achieve great performance and significant development because of this support and confidence you have shown the team.

#### 2007 – The Year In Review

In 2007, environmental issues pertaining to water and wastewater treatment and management became the main focus in China. It was clear that the issue needed immediate attention.

China's rapid economic development and the uneven distribution of water resources across the country have not only caused serious water pollution but also aggravated the problem of scarce water resources. As a result of these pressures on the environment, the water issue has become a nationwide environmental concern, and investment in waste and sewage treatment has increased dramatically.

Along with the announcement of the increased budget for China's 11th Five Year Plan have come intensified requests to increase water and sewage treatment charges. Spurred by the new policies in this direction, a large number of players have sharpened their operating strategies in China's municipal water industry.

In this increasingly competitive market, Epure was able to recognise the direction of future development. As a result, the Company has successfully launched many new projects in 2007. The total value of projects secured grew by 45% as compared to the previous year, while profits grew by comparable margins from a year ago: total revenue grew from approximately RMB505.6 million in 2006 to approximately RMB697.3 million in 2007. This translates to a growth rate of about 38%. Profits after tax, attributable to shareholders

## letter to shareholders

of the Company, grew from approximately RMB110.5 million in 2006 to approximately RMB164.4 million in 2007, a growth rate of about 49%.

#### Outlook

There are several significant events and developments to look forward to in China's municipal water industry in 2008.

#### 1. An increased awareness among the general public for the protection of the environment

The concept of conserving, protecting and controlling water and various environmental resources to promote a "green" Beijing Olympic Games will reinforce the importance of treasuring the environment. This greater awareness will be conducive for the government to improve its regulatory framework and to translate demands for environmental protection into actual markets for the industry.

#### 2. A strengthening of the government's environment-protection department

At the impending 11th National People's Congress, proposals for the establishment of the Ministry of Environment and the Energy Department, as well as the newly amended Act proposed by the Water Pollution Control Department, should place environmental issues high up on national agendas to tackle related issues.

#### 3. A step-up in environmental monitoring efforts

A comprehensive step-up in environmental monitoring efforts could hasten the maturity of the industrial wastewater treatment market, as well as trigger the rapid development of the environmental-monitoring industry.

#### 4. The introduction of policies to control capital for water supply

These policies will have direct impact on the price mechanism of water and water treatment and subsequently will change the economics of water-related investments.



#### 5. The reformation of the capital system in the water industry

These changes, which will improve economic returns in the water industry, coupled with increased government spending and investment in the water sector, will alter the investment framework in the municipal water industry. At the same time, the development of industrial investment funds will result in the separation of management rights from ownership rights. This signals the dawn of the "New Capital" era where it will be conducive for the franchise system.

#### 6. The introduction of a series of environmental economic policies

With these policies, the municipal water industry, particularly the wastewater-treatment sector, will be given more incentives.

#### 7. The emergence of a watershed management market

A pilot programme for a managed system of watershed resources and environmental liability could be introduced in 2008. This would change the current municipal water-treatment industry, where the city is the centre of operation, and strengthen the water industry.

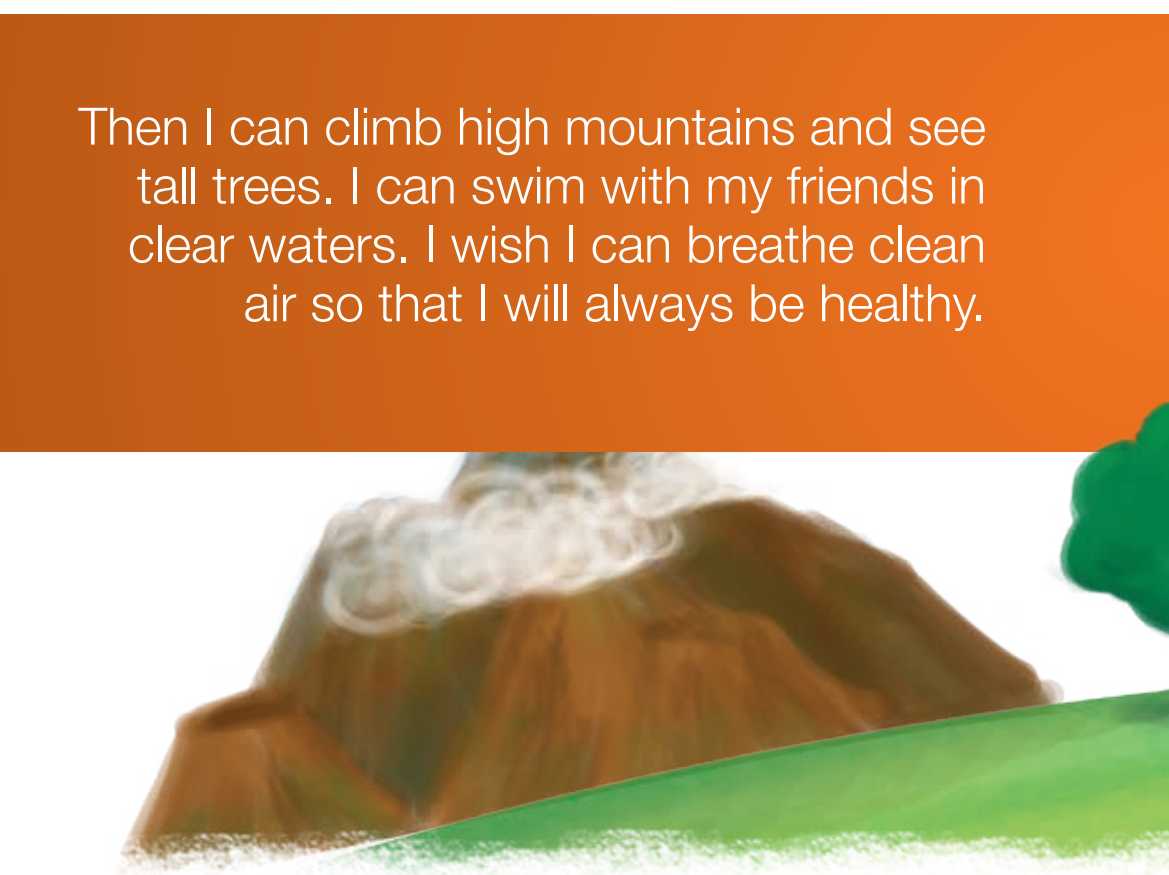
#### 8. The introduction of Design-Build-Operate ("DBO") model

To encourage the development of more effective solutions that can address the grave water environment problems in China, the government is currently eagerly promoting a design-build-operate model to treat sewage. Epure is one of the few companies in China already equipped with the capacity and capabilities to benefit from this new model.

Data from the National Environmental Protection Administration shows that China's environmental protection industry might, over the next five years, grow in size to approximately RMB800-1,000 billion a year. With more streamlined and pro-business policies and regulations from the government, environmental protection companies will enjoy unprecedented opportunities for growth and development.



When I grow up I want to live in a  
clean environment.



Then I can climb high mountains and see  
tall trees. I can swim with my friends in  
clear waters. I wish I can breathe clean  
air so that I will always be healthy.



The Epure team will rely on our years of experience in investment and operation and our tremendous financial strength, to seize this opportunity to excel further so as to better reward our shareholders for their confidence in us and the support they have shown.

In 2008, the urban water industry in China will ride on the comprehensive system being set in place to improve the environment as well as the fundamental overhaul of municipal facilities to register new peaks in growth and development.

In this dynamic operating environment, Epure's medium-to-long term strategy will be to focus on growing in terms of "Enterprise Scale, Core Competencies and Earnings Sustainability". As China's leading turnkey water and wastewater treatment solutions provider, Epure will continue to focus on enhancing the profitability of the Company while expanding working capital so we can meet the growing needs of the international market. We will also extend our reach in the industry value chain to enhance our position as an integrated player, offering a full range of services to our customers while improving our overall operational efficiency.

To achieve these targets, Epure recognises the importance of constantly attracting, cultivating and nurturing a team of highly-competent talents equipped with comprehensive and industry-leading technical skills as well as the agility to react swiftly to the ever-changing market. Epure will make every effort to maximise returns for shareholders and improve shareholder value.

#### Words Of Gratitude

At this juncture, on behalf of Epure's management and staff, I would like to express my most sincere gratitude to all the shareholders who have supported and trusted us; and my most heart-felt wishes to all the people who has supported and cared for Epure. At the same time, I wish all shareholders a blissful family and a fulfilling career. I believe that with this mode of trust and cooperation, Epure will soar to greater heights in the coming year.

# 主席致词

尊敬的股东们,

非常荣幸代表董事局感谢各位一直以来对伊普国际(“伊普”)团队的信任和支持,因为有你们的支持,伊普国际才能有今天良好的业绩;因为你们对伊普团队的信任,公司才能得以长足的发展!

## 回顾

水环境成为中国2007年的主题词,中国燃眉之急的环境问题在于水环境。2007年,经济的快速发展与水资源的不均衡分布使得许多地区面临着严重的水污染和水资源匮乏。在巨大的环境压力之下,国家污水处理投资加大,污水处理和垃圾处理专项规划和环保“十一五”规划相继出台;伴随着资源价格体系的改革,提高水价及污水处理费的呼声加大,配套政策正陆续制定;受到政策及市场前景的鼓舞,大量企业提升了在中国城市水业的市场战略。

伊普国际在日益加剧的市场竞争中,把握重点发展方向,成功启动不少项目,项目工程产值比上年度递增45%,年利润增长率实现了与上年度同比大幅度的增长,全年营业额由2006年度的5.06亿元增长至2007年度的6.97亿元,与去年同期比较增长38%,税后净利扣少数股东利益也是由2006年度的1.11亿元大幅增长至2007年度的1.64亿元,实现增长49%。

水环境成为中国2007年的主题词,中国燃眉之急的环境问题在于水环境。2007年,经济的快速发展与水资源的不均衡分布使得许多地区面临着严重的水污染和水资源匮乏。



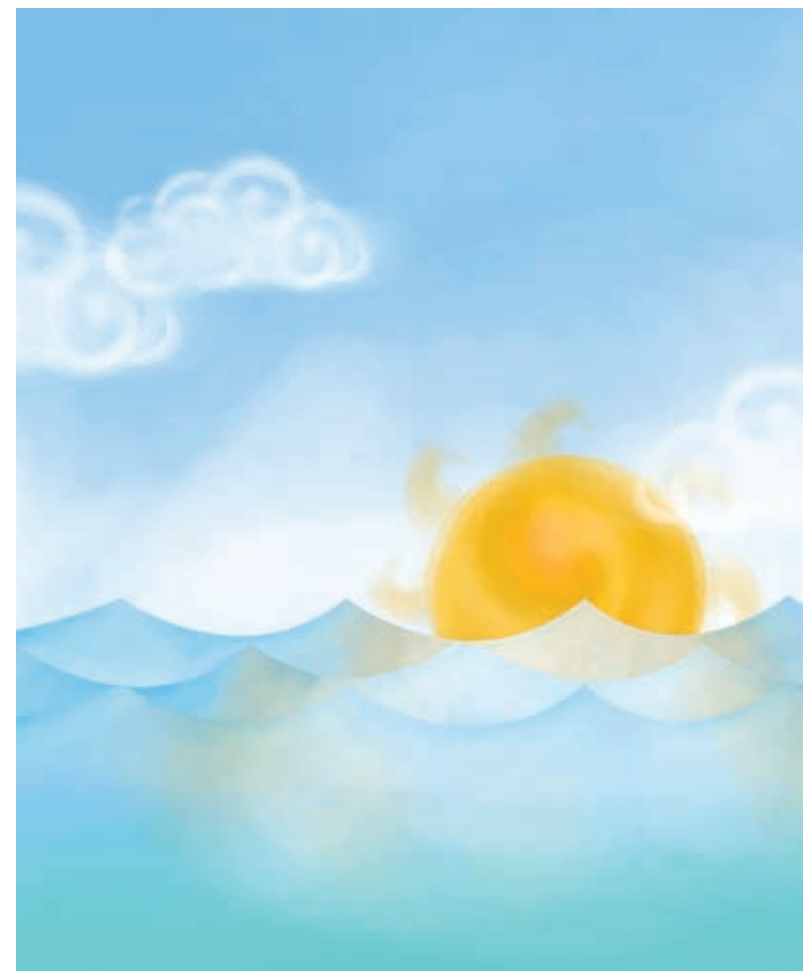


# financial highlights

<b>Profit and Loss Statements</b>	FY 2007 Actual RMB '000	FY 2006 Actual RMB '000	FY 2005 Actual RMB '000
Revenue	697,341	505,620	380,077
Gross profit	223,084	161,231	109,272
Profit before income tax	194,337	137,804	90,807
Income tax expense	(28,680)	(21,527)	(6,712)
Profit for the year	<u>165,657</u>	<u>116,277</u>	<u>84,095</u>
Attributable to:			
Equity holders of the Company	164,429	110,549	79,890
Minority interests	1,228	5,728	4,205
	<u>165,657</u>	<u>116,277</u>	<u>84,095</u>
Earnings per share (RMB cents) <sup>(1)</sup>	39.69	34.14	26.63
<b>Balance Sheets</b>			
Current assets	1,771,776	1,244,255	416,195
Non-current assets	32,603	19,672	19,641
Total assets	<u>1,804,379</u>	<u>1,263,927</u>	<u>435,836</u>
Current liabilities	652,683	565,057	225,109
Equity attributable to equity holders of the Company	1,151,696	672,907	190,492
Minority interests	-	25,963	20,235
Total liabilities and equity	<u>1,804,379</u>	<u>1,263,927</u>	<u>435,836</u>
Net tangible assets per share (RMB cents) <sup>(2)</sup>	267.84	168.23	63.50

<sup>(1)</sup> Calculated based on net profit attributable to Company's equity holders.

<sup>(2)</sup> Calculated based on NTA attributable to Company's equity holders.



# ceo's operations review

Dear Shareholders,

First, on behalf of the staff of Epure International Ltd., I would like to express my sincere gratitude to all our shareholders, clients and partners for their support and their faith in us over the past year. I am honoured to share last year's achievements and offer a glimpse of Epure's growth prospects in the coming year.

## 2007 – The Year In Review

In 2007, although China's environmental protection industry was presented with unprecedented opportunities, it also had to overcome great challenges. At the same time, we also saw the formation of an infant water-treatment market. In particular, the municipal water-treatment sector was still in transition – it was slowly switching from a public service model to a market-oriented one that focuses on profitable returns on investments.

In this climate of change, Epure, with its vast experience in the water-treatment industry, not only made significant growth in the domestic market, but also achieved break-throughs in the international field. The Company was also highly appreciated and validated by the various international monetary markets. With these notable achievements, coupled with our traditional strength in project design, research and development and our immense depth in integration, Epure maintained its status as the leader in China's water-treatment industry.

## Operations Review

Epure entered a phase of rapid development in 2007 while maintaining stable manpower growth and exhibiting tremendous cohesion within the Company. As of December 2007, the number of engineering, procurement, and construction





Today is tree-planting day. I planted a tree. When the tree grows, it can provide shade for everyone. Teacher says trees keep the air fresh and the air temperature low. Then we will not need air-con anymore.



("EPC") projects managed increased from 13 in 2006 to 29 – a growth rate of 123%. Epure's engineers have begun tests on the installed systems in three projects in Xianghu, Baotou, and Huzhou, while 13 other projects, including Baogang and Changxing Island, have completed construction. In addition, five other projects, including Kailuan and Yunwei, have started smooth operations and have been handed over to their respective owners.

Epure's strict adherence to domestic and international business laws, regulations and code of ethics, couple with the Company's pragmatic and stable approach to business operations, have allowed us to achieve growth in 2007 comparable to what we had achieved in 2006: Epure's annual revenue increased from approximately RMB505.6 million in 2006 to approximately RMB697.3 million in 2007. This translates to a growth rate of about 38%. Profits after tax, attributable to shareholders of the Company, grew from approximately RMB110.5 million in 2006 to approximately RMB164.4 million in 2007, a growth rate of about 49%.

#### Research And Development

Our leading industrial technology research and development ("R&D") team has developed several competitive solutions, some of which meet exacting international standards, to directly address the needs and demands of a wide range of municipal and industrial water and wastewater treatment projects. At the same time, the R&D team has also published more than a dozen articles in international and national trade magazines. These articles have caught the attention of key players in the environment-protection industry.

Epure currently hosts a joint production and environmental research postgraduate programme with several universities and colleges including Lanzhou Transport University, Shanghai Tongji University and Tianjin University. Graduates are directly involved in research projects at Epure's R&D centres that help them hone their technical skills and apply these to practical situations. These programmes were starting to produce results and have contributed significantly to Epure's R&D capabilities.

My teacher says many animals are endangered now. If I do not protect their natural living environment now, we will not be able to see anymore pandas and tigers in the future. Pandas are so cute. Please help keep them alive.



among China's "Top 10 Private Brand Innovation" companies and "Annual Top 10 Influential Water Industry Enterprises".

Our Chairman, Mr Wen Yibo, is also the first Chairman of the Chinese Environment Service Industry Association. The formal induction of this association on 12 June 2007, at the Great Hall of the People in Beijing, was a key event covered and reported by more than 40 media groups.

The establishment of the Chinese Environment Service Industry Association not only united a number of environmental-service businesses both locally and internationally, but also sets the stage for the private sector to strategically influence China's evolving policies in the environment and water industries. This will further enhance the influence and visibility of Epure in these industries.

On 9 January 2008, Epure was honoured with an official visit by renowned economic expert Mr Cheng Siwei, the Vice-Chairman of the National People's Congress; Mr Wu Xiaoqing, the Vice-Chairman of the State Environmental Protection Council; as well as other prominent Chinese leaders. During the visit, Mr Cheng reaffirmed Epure's leading position and lauded its contributions to the industry's future economic operating model and long-term objectives.

#### Strategic Development

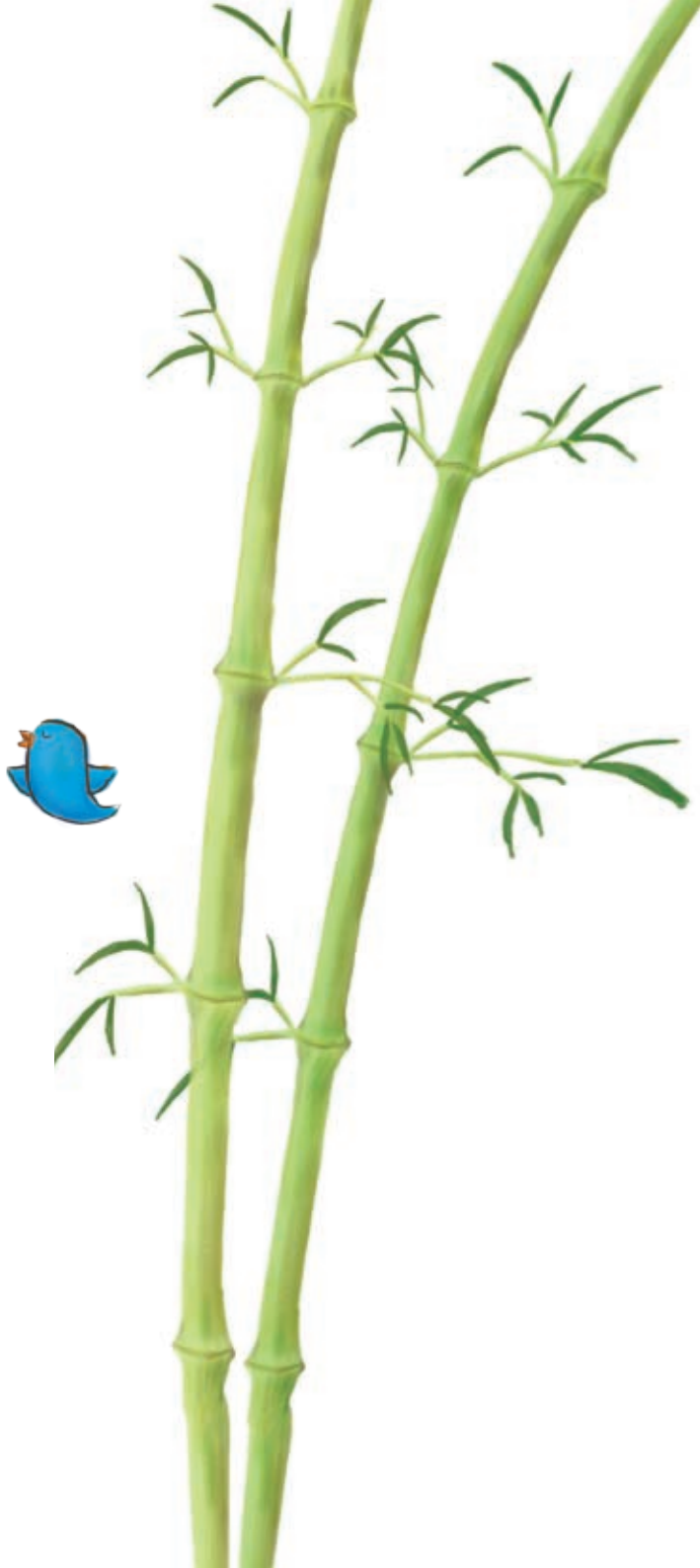
Epure, being China's leading turnkey water-treatment solutions provider, will place much emphasis on enhancing the profitability of the Company. To achieve this objective, the management will further explore opportunities in the production chain, improve integration of the production process, and provide customers a more comprehensive range of services.

At the same time, Epure is exploring opportunities to enter the capital markets in the water-treatment industry – the Company is seeking to invest in quality BOT and TOT projects so as to further integrate the production process.

In addition, Epure will also turn its attention to projects requiring more advanced technology, including wastewater treatment in the petro-chemical industry, as well as projects from various parts of China arising from water-pollution and shortage.

#### Words Of Gratitude

Finally, I would like to take this opportunity to wish our shareholders, clients and partners good health, happiness and advancement in their careers as we look optimistically forward to the current financial year and to the upcoming Beijing Olympic Games.



### 技术研发

伊普国际拥有国内领先的水务企业技术研发团队，已经研究和开发了众多具有竞争力的，符合市场需求的水处理技术，树立了多种（包括部分具有世界水平的）工业废水（如焦化废水等）、市政污水处理的典型达标工艺。同时，发表在国内外核心专业刊物的十多篇学术论文引起环保及水务行业的关注。

在与兰州交通大学、上海同济大学、天津大学等高校联合建立的产学研及环境研究生联合培养基地的基础上，有多名研究生直接参与了技术研发中心的科研课题，在自身的研发实验技能得到提高的同时，还为公司的技术研发工作做出了一定的贡献。

### 市场营销

2007年国内水务EPC市场发生了很大的变化，水业市场化改革由建设部的高度推进到国务院的高度，国务院推进市政公用事业市场化改革的意见已经出台。在沿海城市，市场化政策正逐步完善，政府开始关注监管，相应政策陆续出台，特许经营的立法在许多地方逐步开始。产业政策越完善，对成熟的伊普国际的发展越有利。在市场营销团队不懈的努力下，业绩实现了持续的增长。工业废水方面，在以往焦化工业方向基础上延伸了煤化加工领域废水方向，实现了冶金综合废水的业绩突破。

### 人力资源

企业与企业之间的竞争，依靠企业综合实力的较量，而实力又来自于高素质的人才。伊普历来就重视人才的培养，在企业发展过程中，不仅需要“空降兵”，更需要对老员工进行培训，使他们迅速成长起来，适应企业的快速发展。我们提倡所有员工都以积极的态度及以公司发展为己任的团队精神，投入到伊普国际的发展之中。

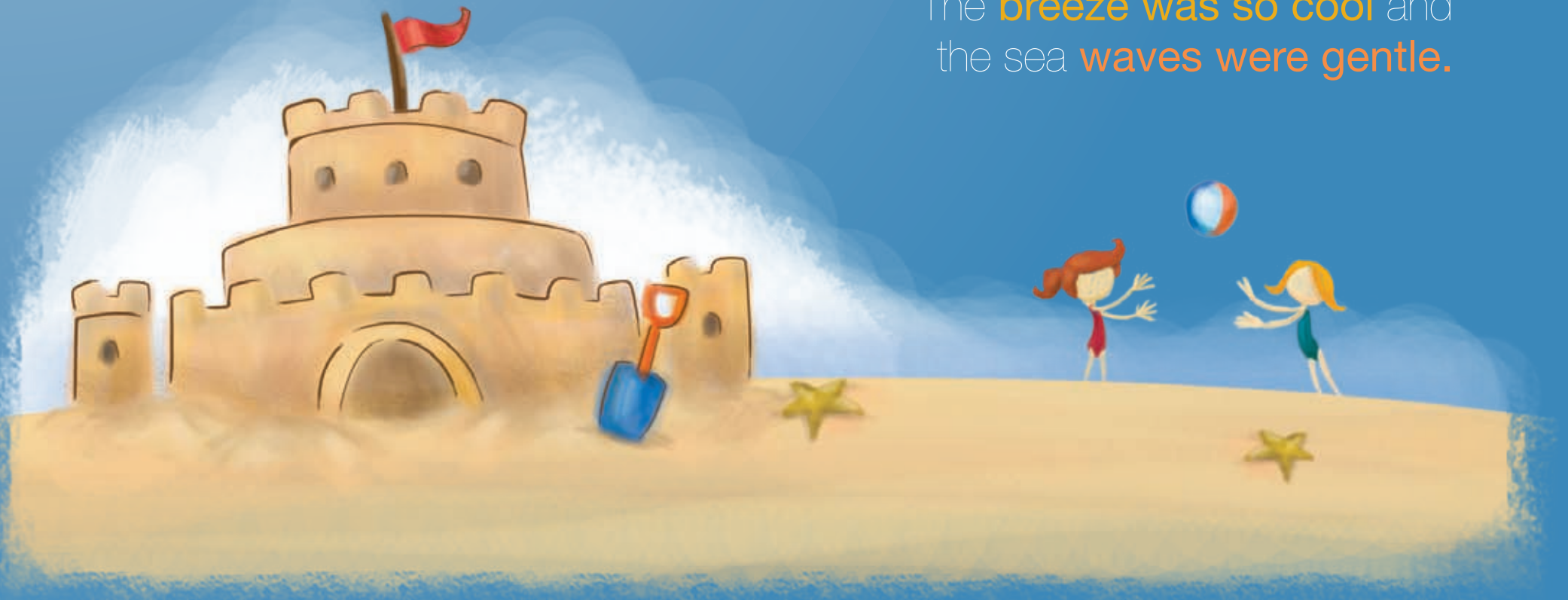
2007年，通过多种途径及时补充优秀人才，硕士生以上学历及高级职称比例达到16%以上，本科学历及中级职称比例达到53%以上。同时，规范执行职工的社会保险、福利标准、薪酬标准、奖惩标准、业绩考核等标准；用好上市公司对企业内部的激励政策，完成了对于骨干职工期权激励计划的前期工作。进一步改进和完善了针对不同业务系统及职工的工资福利、业绩激励、工效评估、竞职晋级、业务培训等体系，建立起简捷明晰的考核和激励机制。



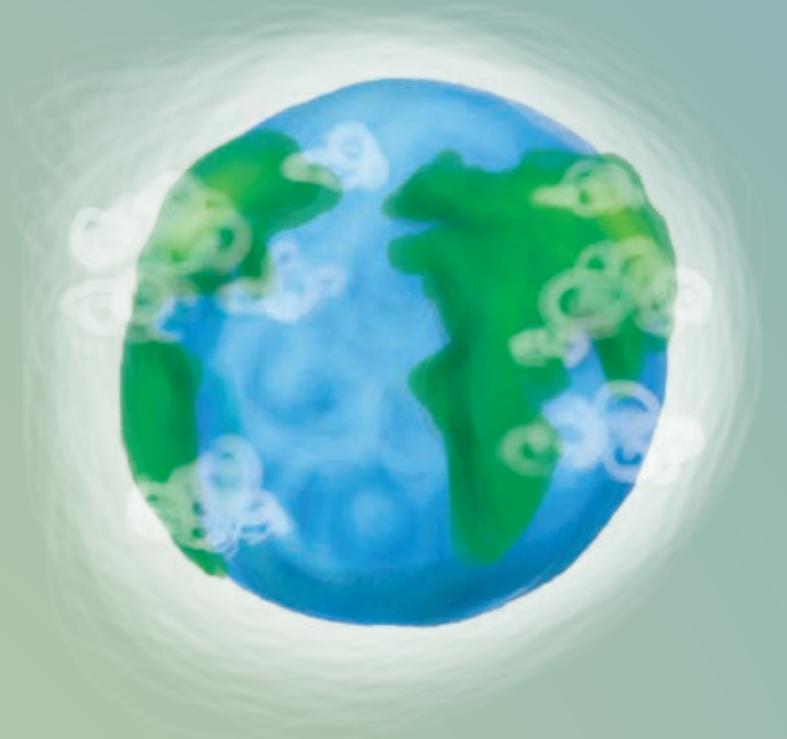


What a *perfect day!*

I went out with my buddies to build the biggest sand castle by the beach. The **breeze was so cool** and the sea **waves were gentle.**



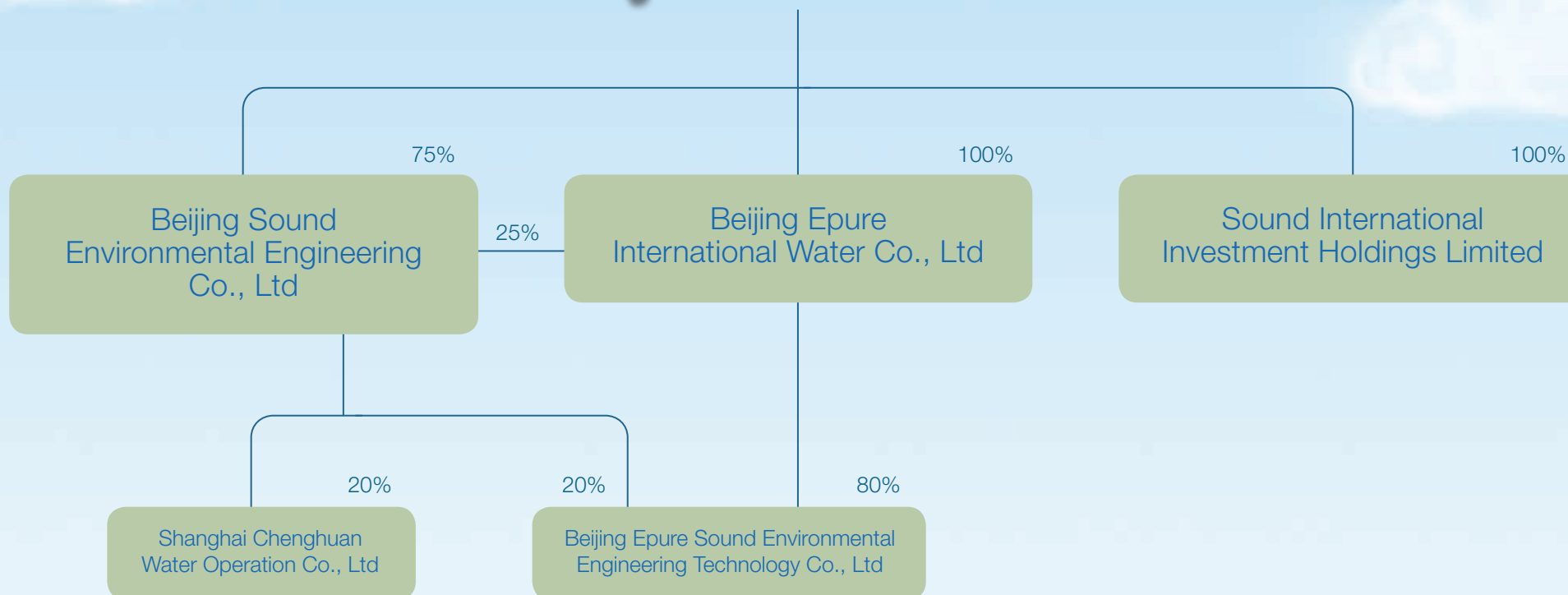
I will do my best to help **save**  
the **environment** for my  
family and for all families in the



*whole world.*

# corporate structure

As at 31 March 2008  
Our group structure and shareholdings  
are as shown below:





## financial contents

25	Corporate Governance Report	46	Consolidated Cash Flows Statement
37	Report of the Directors	48	Notes to Financial Statements
41	Independent Auditors' Report	94	Statement of Directors
42	Balance Sheets	95	Statistics of Shareholdings
43	Consolidated Profit and Loss Statement	97	Notice of Annual General Meeting
44	Statements of Changes in Equity		Proxy Form





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