

**FOURTH QUARTER AND TWELVE MONTHS FINANCIAL STATEMENTS AND
DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD / YEAR ENDED 31
DECEMBER 2009**

**PART I INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 AND 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(a)(i) Unaudited Consolidated Statement of Comprehensive Income For The Fourth Quarter And
Twelve Months Ended 31 Dec:**

	Group 3 months ended 31/12/2009 RMB'000	Group 3 months ended 31/12/2008 (re-stated) RMB'000	% Increase/ (Decrease)	Group 12 months ended 31/12/2009 RMB'000	Group 12 months ended 31/12/2008 (re-stated) RMB'000	% Increase/ (Decrease)
Revenue	331,677	266,830	24.3	1,293,476	1,024,808	26.2
Cost of sales	(243,963)	(189,259)	28.9	(917,963)	(691,220)	32.8
Gross profit	87,714	77,571	13.1	375,513	333,588	12.6
Other operating income	906	2,391	(62.1)	10,914	10,092	8.1
Other expenses	(6,297)	(11,979)	(47.4)	(28,576)	(39,225)	(27.1)
Distribution expenses	(2,584)	(4,449)	(41.9)	(10,892)	(11,784)	(7.6)
Research and development expenses	(1,593)	(1,807)	(11.8)	(5,256)	(6,000)	(12.4)
Administrative expenses	(8,388)	(12,431)	(32.5)	(38,051)	(30,088)	26.5
Finance costs	(1,929)	(8,709)	(77.9)	(13,630)	(25,141)	(45.8)
Share of profit of associate	22	39	(43.6)	21	525	(96.0)
Profit before income tax	67,851	40,626	67.0	290,043	231,967	25.0
Income tax (expense) credit	(6,436)	3,933	(263.6)	(9,499)	(28,302)	(66.4)
Profit for the period/year and total comprehensive income	61,415	44,559	37.8	280,544	203,665	37.7
Profit for the period/year and total comprehensive income attributable to:						
Equity holders of the Company	61,415	44,559	37.8	280,544	203,665	37.7

1 (a)(ii)

	Group 3 months ended 31/12/2009 RMB'000	Group 3 months ended 31/12/2008 (re-stated) RMB'000	%	Group 12 months ended 31/12/2009 RMB'000	Group 12 months ended 31/12/2008 (re-stated) RMB'000	%
			Increase / (Decrease)			Increase / (Decrease)
Other operating income:						
- Interest income	962	2,353	(59.1)	3,791	10,031	(62.2)
- Deemed interest income on service concession receivables	1,671	0	n.m.	6,702	0	n.m.
- Net foreign exchange gains	(2,103)	0	n.m.	0	0	n.m.
- Others	376	38	889.5	421	61	590.2
	<u>906</u>	<u>2,391</u>	<u>(62.1)</u>	<u>10,914</u>	<u>10,092</u>	<u>8.1</u>
Finance costs:						
- Bank borrowings	<u>1,929</u>	<u>8,709</u>	<u>(77.9)</u>	<u>13,630</u>	<u>25,141</u>	<u>(45.8)</u>
Other expenses:						
Allowance for doubtful trade receivables	6,147	7,254	(15.3)	28,426	11,254	152.6
Exchange loss	150	4,725	(96.8)	150	27,971	(99.5)
	<u>6,297</u>	<u>11,979</u>	<u>(47.4)</u>	<u>28,576</u>	<u>39,225</u>	<u>(27.1)</u>
Amortisation of land use rights	<u>327</u>	<u>290</u>	<u>12.8</u>	<u>1,158</u>	<u>573</u>	<u>102.1</u>
Amortisation of intangible assets	<u>2,500</u>	<u>1,199</u>	<u>108.5</u>	<u>10,000</u>	<u>7,199</u>	<u>38.9</u>
Depreciation expense	<u>669</u>	<u>835</u>	<u>(19.9)</u>	<u>2,923</u>	<u>2,305</u>	<u>26.8</u>

n.m.: 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.

Statement of Financial Position:

	(Unaudited) Group 31/12/2009 RMB'000	(Audited) Group 31/12/2008 (re-stated) RMB'000	(Unaudited) Company 31/12/2009 RMB'000	(Audited) Company 31/12/2008 RMB'000
Assets				
Current assets				
Cash and bank balances	1,237,196	772,987	2,236	2,637
Restricted bank balances	72,208	369,481	35,923	367,793
Trade and other receivables	461,852	515,275	223,234	109,915
Amount due from contract customers	233,791	257,028	0	0
Inventories	11,543	21,863	0	0
Land use rights	1,158	1,158	0	0
Total current assets	2,017,748	1,937,792	261,393	480,345
Non-current assets				
Intangible assets	50,000	60,000	0	0
Goodwill	41,395	41,395	0	0
Land use rights	46,612	47,770	0	0
Property, plant and equipment	47,550	49,927	38	77
Subsidiaries	0	0	588,060	431,000
Associate	2,561	2,540	0	0
Service concession receivables	305,632	153,140	0	0
Deferred tax assets	7,372	2,935	0	0
Total non-current assets	501,122	357,707	588,098	431,077
Total assets	2,518,870	2,295,499	849,491	911,422
Liabilities and equity				
Current liabilities				
Bank loans	176,700	391,662	0	40,047
Trade and other payables	691,556	541,809	2,398	3,074
Amount due to contract customers	24,264	24,311	0	0
Income tax payable	14,598	9,970	107	622
Total current liabilities	907,118	967,752	2,505	43,743
Non-current liabilities				
Bank loans	48,300	0	0	0
Deferred tax liabilities	18,752	16,222	0	0
Total non-current liabilities	67,052	16,222	0	0
Total liabilities	974,170	983,974	2,505	43,743
Capital and reserves				
Share capital	833,368	833,368	833,368	833,368
Reserves	711,332	478,157	13,618	34,311
Total equity	1,544,700	1,311,525	846,986	867,679
Total liabilities and equity	2,518,870	2,295,499	849,491	911,422

1(b)(ii) Aggregate Amount Of Group's Borrowings And Debt Securities:**Amount repayable in one year or less, or on demand:**

As at 31/12/2009		As at 31/12/2008	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
147,500	29,200	321,820	69,842

Amount repayable after one year:

As at 31/12/2009		As at 31/12/2008	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
48,300	Nil	Nil	Nil

Details of any collateral:

The bank loans are secured by charges over the Company's pledged deposits and 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.

Unaudited Cash Flow Statements:

	Group	Group	Group	Group
	3 months ended 31/12/2009	3 months ended 31/12/2008 (re-stated)	12 months ended 31/12/2009	12 months ended 31/12/2008 (re-stated)
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flow from operating activities:				
Profit before income tax	67,851	40,626	290,043	231,967
Adjustments for:				
Depreciation expense	669	835	2,923	2,305
Finance costs	1,929	8,709	13,630	25,141
Interest income	(962)	(2,353)	(3,791)	(10,031)
Deemed interest income	(1,671)	0	(6,702)	0
Allowance for doubtful trade receivables	6,147	7,254	28,426	11,254
Share of profit of associate	(22)	(39)	(21)	(525)
Loss on disposal of property, plant and equipment	0	0	5	0
Amorisation of land use rights	327	290	1,158	573
Amorisation of intangible assets	2,500	1,199	10,000	7,199
Foreign exchange loss (gain)	3,038	21,515	(884)	21,514
Operating profit before working capital changes	79,806	78,036	334,787	289,397
Inventories	13,837	6,772	10,320	2,813
Amount due from contract customers	71,131	(91,536)	23,237	(136,182)
Trade and other receivables	245,733	147,228	24,997	(42,416)
Amount due to contract customers	9,082	(843)	(47)	18,001
Trade and other payables	(106,225)	6,890	149,747	139,071
Service concession receivables	(57,047)	(54,472)	(145,790)	(54,472)
Cash generated from operations	256,317	92,075	397,251	216,212
Income tax refund (paid)	5,451	(3,030)	(6,778)	(28,152)
Net cash from operating activities	261,768	89,045	390,473	188,060
Cash flow from investing activities:				
Purchase of property, plant and equipment	(141)	(714)	(553)	(1,124)
Interest received	962	2,353	3,791	10,031
Proceeds from disposal of property, plant and equipment	2	0	2	0
Proceeds from disposal of available-for-sales investment	0	0	0	1,500
Acquisition of subsidiary	0	(132,595)	0	(189,302)
Decrease in restricted bank balances	28,362	48,503	297,273	26,717
Net cash from (used in) investing activities	29,185	(82,453)	300,513	(152,178)
Cash flow from financing activities:				
Dividend paid	0	0	(47,369)	(43,836)
Repayment of borrowings	(101,503)	(234,675)	(730,285)	(1,042,435)
New bank loans raised	70,200	134,817	563,623	1,087,143
Finance costs paid	(1,929)	(8,709)	(13,630)	(25,141)
Net cash used in financing activities	(33,232)	(108,567)	(227,661)	(24,269)
Net increase (decrease) in cash and cash equivalents	257,721	(101,975)	463,325	11,613
Effect of translation of foreign exchange rate changes	350	(31)	884	(31)
Cash and cash equivalents at beginning of financial period/ year	979,125	874,993	772,987	761,405
Cash and cash equivalents at end of financial period/ year	1,237,196	772,987	1,237,196	772,987

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.

Unaudited Statements Of Changes In Equity (re-stated):

	Share capital	Merger reserve	Capital reserve	General reserve	Currency Translation reserve	Retained earnings	Attributable to equity holders of Company
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
Balance as at 1 January 2008, as previously reported	833,368	(88,296)	7,010	29,970	(3,256)	372,900	1,151,696
Adjustment	0	0	0	0	3,256	(3,256)	0
As restated	833,368	(88,296)	7,010	29,970	0	369,644	1,151,696
Total comprehensive income for the period	0	0	0	0	0	31,416	31,416
Balance as at 31 March 2008	833,368	(88,296)	7,010	29,970	0	401,060	1,183,112
Total comprehensive income for the period	0	0	0	0	0	48,992	48,992
Dividend paid	0	0	0	0	0	(43,836)	(43,836)
Balance as at 30 June 2008	833,368	(88,296)	7,010	29,970	0	406,216	1,188,268
Total comprehensive income for the period	0	0	0	0	0	78,698	78,698
Balance as at 30 September 2008	833,368	(88,296)	7,010	29,970	0	484,914	1,266,966
Total comprehensive income for the period	0	0	0	0	0	44,559	44,559
Transfer to general reserves	0	0	0	3,036	0	(3,036)	0
Balance as at 31 December 2008	833,368	(88,296)	7,010	33,006	0	526,437	1,311,525
Total comprehensive income for the period	0	0	0	0	0	19,225	19,225
Balance as at 31 March 2009	833,368	(88,296)	7,010	33,006	0	545,662	1,330,750
Total comprehensive income for the period	0	0	0	0	0	84,555	84,555
Dividend paid	0	0	0	0	0	(47,369)	(47,369)
Balance as at 30 June 2009	833,368	(88,296)	7,010	33,006	0	582,848	1,367,936
Total comprehensive income for the period	0	0	0	0	0	115,349	115,349
Balance as at 30 September 2009	833,368	(88,296)	7,010	33,006	0	698,197	1,483,285
Total comprehensive income for the period	0	0	0	0	0	61,415	61,415
Transfer to general reserves	0	0	0	27,523	0	(27,523)	0
Balance as at 31 December 2009	833,368	(88,296)	7,010	60,529	0	732,089	1,544,700

	Share capital	Capital reserve	Currency translation reserve	Retained earnings	Attributable to equity holders of Company
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
Balance as at 1 January 2008	833,368	7,010	(3,256)	53,686	890,808
Adjustment	0	0	3,256	(3,256)	0
As restated	833,368	7,010	0	50,430	890,808
Total comprehensive income for the period	0	0	0	1,600	1,600
Balance as at 31 March 2008	833,368	7,010	0	52,030	892,408
Total comprehensive expense for the period	0	0	0	(4,711)	(4,711)
Dividend paid	0	0	0	(43,836)	(43,836)
Balance as at 30 June 2008	833,368	7,010	0	3,483	843,861
Total comprehensive expense for the period	0	0	0	(14,867)	(14,867)
Balance as at 30 September 2008	833,368	7,010	0	(11,384)	828,994
Total comprehensive income for the period	0	0	0	38,685	38,685
Balance as at 31 December 2008	833,368	7,010	0	27,301	867,679
Total comprehensive expense for the period	0	0	0	(21,829)	(21,829)
Balance as at 31 March 2009	833,368	7,010	0	5,472	845,850
Total comprehensive income for the period	0	0	0	20,131	20,131
Dividend paid	0	0	0	(47,369)	(47,369)
Balance as at 30 June 2009	833,368	7,010	0	(21,766)	818,612
Total comprehensive expense for the period	0	0	0	(35)	(35)
Balance as at 30 September 2009	833,368	7,010	0	(21,801)	818,577
Total comprehensive income for the period	0	0	0	28,409	28,409
Balance as at 31 December 2009	833,368	7,010	0	6,608	846,986

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.

As at 31 December 2008 and 31 December 2009, the total number of shares in issue was 1,290,000,000.

There were no treasury shares and no outstanding share options in issue as at 31 December 2008 and 31 December 2009.

1(d)(iii) To Show The Total Number Of Issued Shares Excluding Treasury Shares As At The End Of The Current Financial Period And As At The End Of The Immediately Preceding Year.

As at 31 December 2008 and 31 December 2009, the total number of shares in issue was 1,290,000,000.

There were no treasury shares as at 31 December 2008 and 31 December 2009.

1(d)(iv) A Statement Showing All Sales, Transfers, Disposal, Cancellation And/Or Use Of Treasury Shares As At The End Of The Current Financial Period Reported On.

Not applicable.

(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 Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the recently audited consolidated financial statements for the financial year ended 31 December 2008, except for prior year's adjustments and reclassifications as further explained below:

Prior Year's Adjustments and Reclassifications

In connection with the dual listing of the Company's shares on The Stock Exchange of Hong Kong Limited and the global offering of new ordinary shares in the capital of the Company, the Company adopted International Financial Reporting Standards for its application. Following which the management re-assessed and re-evaluated the functional currency of the Company and determined that the functional currency would be that of Chinese Renminbi instead of Singapore Dollars. The Company has consequently adopted FRS 21 The Effects of Changes in Foreign Exchange Rates and applied the change retrospectively in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Certain reclassifications have been made to the prior years' financial statements to enhance comparability with the current year's financial statements.

As a result, the face of the statement of financial position, statement of changes in equity and consolidated statement of cash flow have been amended. Comparative figures have been adjusted to conform with the current year's presentation.

The main impact is as follows:

	Previously reported	Adjustment	As restated
	(RMB'000)	(RMB'000)	(RMB'000)
2007 opening retained earnings	208,471	-	208,471
Profit for 2007	164,429	(3,256)	161,173
2007 Closing retained earnings	372,900	(3,256)	369,644
Profit for 2008	231,636	(27,971)	203,665
Dividend paid	(43,836)	-	(43,836)
Transfer to reserve fund	(3,036)	-	(3,036)
2008 Closing retained earnings	557,664	(31,227)	526,437

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRSs"), Interpretations of FRS ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The adoption of the new/revised FRSs, INT FRSs and amendments to FRSs has no material effect on the financial statements except for the change in the basis for presentation and structure of the financial statements. There are no changes in the recognition, measurement or disclosure of specific transactions and other events.

(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.

There have been no changes in accounting policies and methods of computation, except for the prior year adjustment in point (4) above.

(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.

Earnings Per Share:

	Group		Group	
	3 months ended		12 months ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Earnings per ordinary share:				
- basic (RMB)	4.8 cents	3.5 cents	21.7 cents	15.8 cents
- fully diluted basis (RMB)	4.8 cents	3.5 cents	21.7 cents	15.8 cents

The earnings per ordinary share for the fourth quarter and twelve months ended 31 December 2009 and 31 December 2008 were calculated based on the profit attributable to equity holders of the Company, divided by the weighted average number of shares of 1,290,000,000.

There were no potential dilutive ordinary shares.

(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.

Net Asset Value:

	Group		Company	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Net asset value per ordinary share based on issued share capital as at the end of the financial period (RMB)	119.7 cents	101.7 cents	65.7 cents	67.3 cents

The net asset values per ordinary share for 31 December 2009 and 31 December 2008 were calculated based on the equity attributable to equity holders of the Company, divided by the number of issued shares of 1,290,000,000.

(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

Review Of Group's Financial Performance:

Revenue

The Group's revenue increased by approximately RMB64.8 million or 24.3% from approximately RMB266.8 million in 4Q2008 to approximately RMB331.7 million in 4Q2009 and increased by approximately RMB268.7 million or 26.2% from approximately RMB1,024.8 million in 12M2008 to approximately RMB1,293.5 million in 12M2009.

The increase was attributed to (1) the contribution by Hi-Standard of approximately RMB125.4 million in 12M2009, which arose from the sale of customised environmental water and wastewater treatment equipment to external customers, (2) contribution from a BOT project, Xi'an Qingqing Water Co., Ltd, of approximately RMB5.7 million as its operation started in 4Q2009, and (3) higher revenue recognised from major turnkey projects including Futian City Wastewater Treatment Plant (莆田市城市污水处理厂), Hangang Wastewater Treatment Project (邯钢新区综合污水处理工程), Leihe Shabei Wastewater Project (漯河沙北污水项目), Chenggong Luolong River Wastewater Project (呈贡新城洛龙河污水项目), Fushun Reservoir Pollution Control Project (抚顺大伙房水库污染治理项目).

Gross Profit And Gross Profit Margin

Gross profit increased by approximately RMB10.1 million or 13.1% from approximately RMB77.6 million in 4Q2008 to approximately RMB87.7 million in 4Q2009 and increased by approximately RMB41.9 million or 12.6% from approximately RMB333.6 million in 12M2008 to approximately RMB375.5 million in 12M2009. This increase is in line with the higher revenue.

The gross profit margin decreased by 2.7 percentage points from approximately 29.1% for 4Q2008 to approximately 26.4% for 4Q2009 and decreased by 3.6 percentage points from approximately 32.6% for 12M2008 to approximately 29.0% for 12M2009. Given the nature of the turnkey projects, where revenue is recognised based on the percentage of completion, the gross profit margin for engineering works would fluctuate from quarter to quarter as depending on the amount of revenue recognised for the relevant projects during the relevant quarters. On a year-to-year basis, the gross profit margin remains relatively stable at around 30%.

Other Operating Income

Other operating income decreased by approximately RMB1.5 million or 62.1% from approximately RMB2.4 million in 4Q2008 to approximately RMB0.9 million in 4Q2009. The decrease is due to lower interest income as a result of lower bank interest rates, reversal of exchange gain recognised in 3Q2009, offset by the increase in deemed interest income on service concession receivables.

Other operating income increased by approximately RMB0.8 million or 8.1% from approximately RMB10.1 million in 12M2008 to approximately RMB10.9 million in 12M2009. The increase is mainly due to deemed interest income on service concession receivables offset by the decrease in bank interest income.

Other Expenses

Other expenses decreased by approximately RMB5.7 million or 47.4% from approximately RMB12.0 million in 4Q2008 to approximately RMB6.3 million in 4Q2009 mainly due to:

- 1) Net foreign exchange losses of approximately RMB4.7 million recorded in 4Q2008.
- 2) Decrease in allowance for doubtful debts of approximately RMB1.1 million in 4Q2009.

Other expenses decreased by approximately RMB10.6 million or 27.1% from approximately RMB39.2 million in 12M2008 to approximately RMB28.6 million in 12M2009. The decrease was mainly due to:

- 1) Net foreign exchange losses of approximately RMB28.0 million recorded in 12M2008.
- 2) Offset by increase in allowance for doubtful debts of approximately RMB17.2 million in 12M2009.

Distribution Expenses

Distribution expenses decreased by approximately RMB1.9 million or 41.9% from approximately RMB4.5 million in 4Q2008 to approximately RMB2.6 million in 4Q2009 and decreased by approximately RMB0.9 million or 7.6% from approximately RMB11.8 million in 12M2008 to approximately RMB10.9 million in 12M2009. The decrease is due to management efforts in cost cutting.

Research and Development Expenses

Research and development expenses remained relatively consistent at approximately RMB1.8 million in 4Q2008 compared to RMB1.6 million in 4Q2009 and approximately RMB6.0 million in 12M2008 compared to RMB5.3 million in 12M2009.

Administrative Expenses

Administrative expenses decreased by approximately RMB4.0 million or 32.5% from approximately RMB12.4 million in 4Q2008 to approximately RMB8.4 million in 4Q2009. This is mainly due to the absence of professional fees for a potential convertible bonds issue which was recognised in 4Q2008.

Administrative expenses increased by approximately RMB8.0 million or 26.5% from approximately RMB30.1 million in 12M2008 to approximately RMB38.1 million in 12M2009. The increase in 12M2009 was due mainly to the following factors:

- 1) Contribution by Hi-Standard of approximately RMB4.0 million, as Hi-Standard was acquired in mid 2008.

- 2) Contribution by Xi'an Qinqing, one of the BOT projects, of approximately RMB1.1million, as the wastewater treatment plant started operation in 4Q2009.
- 3) Increase in other miscellaneous expenses of approximately RMB2.9 million as operating activities increased.

Finance Costs

Finance costs decreased by approximately RMB6.8 million or 77.9% from approximately RMB8.7 million in 4Q2008 to approximately RMB1.9 million in 4Q2009 and decreased by approximately RMB11.5 million or 45.8% from approximately RMB25.1 million in 12M2008 to approximately RMB13.6 million in 12M2009 mainly because of a decrease in interest payable on our bank loans. Bank loans came to RMB225.0 million as at 31 December 2009, against RMB391.7 million as at 31 December 2008.

Share of Profit of Associate

This pertains to the 20% owned Shanghai Chenghuan Water Operation Co., Ltd for which Epure's share of profit was approximately RMB21,000 for 12M2009.

Income Tax (Expense) Credit

There was an income tax credit of approximately RMB3.9 million in 4Q2008 arising from a reversal of income tax expenses provided for during the year after the tax incentive for a subsidiary is confirmed. Income tax expenses came to approximately RMB6.4 million in 4Q2009.

The income tax expense decreased by approximately RMB18.8 million or 66.4% from approximately RMB28.3 million in 12M2008 to approximately RMB9.5 million in 12M2009. This arises from the reversal of income tax expenses provided for in year 2008 following the confirmation of a tax incentive for a subsidiary, Beijing Hi-Standard Water Equipment Co., Ltd. In addition, the profits arising from another subsidiary, Beijing Epure International Water Co., Ltd, are tax exempt.

Profit Attributable To Equity Holders Of The Company

Profit attributable to equity holders of the Company increased by approximately RMB16.8 million or 37.8% from approximately RMB44.6 million in 4Q2008 to approximately RMB61.4 million in 4Q2009 and increased by approximately RMB76.8 million or 37.7% from approximately RMB203.7 million in 12M2008 to approximately RMB280.5 million in 12M2009.

(b) Any Material Factors That Affected The Cash Flow, Working Capital, Assets Or Liabilities Of The Group During The Current Financial Period Reported On.

Review Of Group's Financial Position:

Current Assets

The Group's current assets comprised of cash and bank balances, restricted bank balances, trade and other receivables, amount due from contract customers, inventories and land use rights (due within one year).

Trade receivables, stated at net of allowance for doubtful debts, amounted to approximately RMB406.3 million. The cumulative allowance for doubtful debts was approximately RMB48.0 million.

Other receivables were made up mainly of performance and tender deposits placed when we bid for projects and bills receivables of approximately RMB25.7 million, advance payments to suppliers and subcontractors of approximately RMB16.3 million as well as other receivables of approximately RMB13.6million.

Amount due from contract customers refers to costs incurred on the projects that have not been billed to customers.

Inventories refer to equipment components and parts. As at 31 December 2009, the inventories were attributable mainly to Hi-Standard. Inventories from turnkey business are not expected to be material as most of the civil engineering works are subcontracted to third parties.

The increase in current assets arose mainly from cash and bank balances as that resulted from the increase in revenue and business operations.

Non-Current Assets

The Group's non-current assets consisted of property, plant and equipment, land use rights, service concession receivables, deferred tax assets, investment in associate and subsidiaries as well as intangible assets and goodwill arising from the consolidation of Hi-Standard.

Property, plant and equipment comprised mainly building, plant and machinery, transportation vehicles, and fixtures and equipment. We depreciate our property, plant and equipment using the straight-line method over their estimated useful lives, at rates ranging between 3% and 33% per annum. The decrease in property, plant and equipment was due mainly to depreciation.

Land use rights are amortised on a straight-line basis over the period of the lease. The decrease in land use rights was due to amortisation.

Investment in an associate pertained to the 20% stake in Shanghai Chenghuan Water Operation Co., Ltd. During the year, the Group invested for a 15% stake in Lanzhou Guyuan Water Co., Ltd at RMB2.7 million, which was subsequently disposed at cost.

Intangible assets pertain to patents that arose from the acquisition of Hi-Standard. The decrease is due to amortisation.

Service concession receivables arose from BOT projects in subsidiaries, which included Hancheng City Yiqing Water Co., Ltd, Shangluo Wastewater Treatment Co., Ltd, Yulin City Jingzhou Water Co., Ltd, Jiangyan Jiangyuan Wastewater Treatment Co., Ltd and Fushun City Qinxi Wastewater Treatment Co., Ltd, newly incorporated in 2009.

Deferred tax assets arose mainly from the allowance for doubtful debts. The increase corresponds with the increase in allowance for doubtful debts.

Current Liabilities

The Group's current liabilities were made up mainly of bank loans, trade and other payables, amounts due to contract customers and income tax payable.

Bank loans were obtained to fund our working capital.

Trade and other payables were made up of amounts outstanding for trade purchases of approximately RMB491.8 million, bills payable of approximately RMB28.3 million, other taxes payable (including value added tax and sales tax) of approximately RMB124.4 million, performance and tender deposits received from sub-contractors and advances received from customers of approximately RMB15.5 million as well as accruals and other payables of approximately RMB31.6 million.

Amount due to contract customers refer to progress billings made to contract customers based on contracts in excess of actual costs incurred on the projects.

Income tax payable increased as business operation increased.

The decrease in current liabilities was due mainly to the repayment of loans offset by the increased trade and other payables as a result of higher costs incurred with increased business operations.

Non-Current Liabilities

Long term bank loans were obtained to fund our BOT projects.

Deferred tax liabilities arose mainly from the unremitted overseas dividends and upward fair value adjustment on assets upon acquisition of Hi-Standard. Bank loans were taken in relation to the BOT projects.

Capital and Reserves

Capital and reserves increased by approximately RMB233.2 million or 17.8% from approximately RMB1,311.5 million as at 31 December 2008 to approximately RMB1,544.7 million as at 31 December 2009. This increase was due mainly to retained profits of approximately RMB280.5 million, offset partly by dividends paid of RMB47.3 million.

Cash Flow Statement

The Group generated positive net cash from operating activities of approximately RMB390.5 million in 12M2009 and approximately RMB261.8 million in 4Q2009. The positive cashflow is mainly due to the earnings during the year and collection of trade receivables.

Net cash generated from investing activities amounted to approximately RMB300.5 million in 12M2009 and approximately RMB29.2 million in 4Q2009. These amounts were due mainly to a decrease in restricted bank balances as bank loans reduced.

Net cash used in financing activities amounted to approximately RMB227.7 million in 12M2009 and approximately RMB33.2 million in 4Q2009, resulting largely from dividends paid and the repayment of borrowings as more internally generated funds were available to fund working capital.

As at 31 December 2009, the Group's cash position remained strong and stood at approximately RMB1,237.2 million.

(9) Where A Forecast, Or A Prospect Statement, Has Been Previously Disclosed To Shareholders, Any Variance Between It And The Actual Results.

No forecast or prospect statement has been previously disclosed to shareholders pertaining to the fourth quarter and twelve months ended 31 December 2009.

(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.

Generally, with the strong demand for water and wastewater treatment facilities in China, the Group expects the outlook for the Chinese water sector to remain positive.

Turnkey – Engineering, Procurement and Construction (“EPC”)

With more players entering the water treatment industry, the Group expects competition to remain keen. With its established track record, proprietary technologies and extensive sales and marketing network, the Group shall continue to remain competitive and expand its operations in China as well as overseas.

Operations Management

In 2009, the 20.0% owned Shanghai Chenghuan Water Operation Co., Ltd contributed a profit of RMB21,000 for the Group. The contribution from this associate is expected to remain small.

The Group has secured a contract to operate eight municipal wastewater treatment plants in Hainan province. Under the five-year contract, the Group will manage and operate eight wastewater treatment plants with a total maximum treatment capacity of up to 142,000 tonnes a day. The contract value is approximately RMB124 million, based on tonnage of wastewater treated, and is expected to contribute to the Group's earnings from 2010.

Equipment Fabrication

With the continued demand for the upgrading of water treatment plants, demand for customised equipment is expected to remain stable.

Build, Operate and Transfer Projects (“BOT”)

Currently, the Group has ten BOT projects. The Group intends to participate in investments in BOT projects whenever opportunities arise, in order to build up its recurrent income stream. The BOT investments could also help the Group to secure EPC projects. The Group will continue to seek expansion opportunities both within and outside China.

(11) Dividend

(a) Current Financial Period Reported On

Any Dividend Declared For The Current Financial Period Reported On?

No.

(b) Corresponding Period Of The Immediately Preceding Financial Year

Any Dividend Declared For The Corresponding Period Of The Immediately Preceding Financial Year?

Name of Dividend	First and Final
Dividend Type	Cash
Dividend Rate	0.8 cents per ordinary share
Tax Rate	One-tier tax exempt

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

(12) If No Dividend Has Been Declared/Recommended, A Statement To That Effect.

No dividend for the fourth quarter and twelve months ended 31 December 2009 has been declared or recommended.

(13) Use Of Proceeds

(A) IPO Proceeds

The net IPO proceeds of approximately S\$58.0 million have been deployed in the following manner:

(A) Use of IPO Proceeds (S\$'000)	Amount Allocated	Amount Deployed as at 31 December 09
To undertake new large-scale and complex turnkey projects	20,000	20,000
To expand our sales and marketing network	4,000	4,000
For R&D	4,000	3,539
To repay certain short-term bank loans	18,000	18,000
As general working capital – injected into subsidiaries as capital for acquisition and working capital purposes	11,994	11,994
Total	57,994	57,533

(B) Placement Proceeds

Approximately RMB208.0 million (approximately S\$43.9 million) of the net placement proceeds of approximately S\$63.6 million was utilised for the acquisition of Hi-Standard.

Periodic announcements about the utilisation of the balance of the net proceeds will be made as and when such proceeds are materially deployed.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT.

(14) 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.

The Group presents its primary segmental information related to the following business segments:

- (1) Turnkey projects and services
Provision of turnkey services involving the entire process from planning, design, equipment procurement, production, construction and engineering, to installation and commissioning of water and wastewater treatment systems, and research and development work of water and wastewater treatment equipment and techniques.
- (2) Manufacturing
Manufacturing, fabrication, sales and installation of generic or custom-manufacture specialised equipment for water and wastewater treatment systems.
- (3) Operations and maintenance
Operating of water and wastewater treatment facilities (including Build-Operate-Transfer (BOT) projects and operations and maintenance projects)

31 December 2009

Business Segment	Turnkey projects and services RMB'000	Manufacturing RMB'000	Operations and maintenance RMB'000	Elimination RMB'000	Total RMB'000
Revenue					
External sales	1,162,417	125,382	5,677	-	1,293,476
Inter-segment sales	-	47,757	-	(47,757)	-
Total revenue	1,162,417	173,139	5,677	(47,757)	1,293,476
Results					
Segment results	260,038	26,511	7,534	-	294,083
Unallocated corporate income					4,228
Unallocated corporate expenses					(8,289)
Share of net profits of associate					21
Profit before income tax					290,043
Income taxes					(9,499)
Profit after income tax					280,544
Assets and Liabilities					
Segment assets	1,998,495	408,943	392,320	(322,438)	2,477,320
Interest in associate					2,561
Unallocated corporate assets					38,989
Consolidated assets					2,518,870
Segment liabilities	931,659	139,022	205,164	(322,438)	953,407
Deferred tax liabilities					18,752
Unallocated corporate liabilities					2,011
Consolidated liabilities					974,170

Other Information	Turnkey projects and services	Manufacturing	Operations and maintenance	Unallocated	Elimination	Total
Addition to non-current assets	65	7	446	35	-	553
Depreciation and amortisation	1,171	12,728	108	74	-	14,081
Allowance for doubtful trade debts	28,426	-	-	-	-	28,426
Interest income	3,004	83	4	700	-	3,791
Deemed interest income	-	-	6,702	-	-	6,702
Finance costs	12,756	-	846	28	-	13,630

31 December 2008

Business Segment	Turnkey projects and services RMB'000	Manufacturing RMB'000	Operations and maintenance RMB'000	Elimination RMB'000	Total RMB'000	
Revenue						
External sales	922,078	102,730	-	-	1,024,808	
Inter-segment sales	-	41,876	-	(41,876)	-	
Total revenue	922,078	144,606	-	(41,876)	1,024,808	
Results						
Segment results	234,145	32,774	-	-	266,919	
Unallocated corporate income					4,365	
Unallocated corporate expenses					(39,842)	
Share of net profits of associate					525	
Profit before income tax					231,967	
Income taxes					(28,302)	
Profit after income tax					203,665	
Assets and Liabilities						
Segment assets	1,619,183	337,528	161,196	(195,828)	1,922,079	
Interest in associate					2,540	
Unallocated corporate assets					370,880	
Consolidated assets					2,295,499	
Segment liabilities	897,101	92,593	132,071	(195,828)	925,937	
Deferred tax liabilities					16,222	
Unallocated corporate liabilities					41,815	
Consolidated liabilities					983,974	
Other Information						
	Turnkey projects and services	Manufacturing	Operations and maintenance	Unallocated	Elimination	Total
Addition to non-current assets	1,041	187,912	312	11	-	189,276
Depreciation and amortisation	1,222	8,527	59	269	-	10,077
Allowance for doubtful trade debts	11,254	-	-	-	-	11,254
Interest income	5,512	146	8	4,365	-	10,031
Finance costs	23,885	-	-	1,256	-	25,141

No segmental information by geographical location is presented since most of the revenue was derived in the PRC.

(15) In The Review Of Performance, The Factors Leading To Any Material Changes In Contributions To Turnover And Earnings By The Business Or Geographical Segments.

Turnkey revenue increased by approximately RMB240.3 million or 26.1% from approximately RMB922.1 million in 12M2008 to RMB1,162.4 million in 12M2009 as the Group expands its operations. Profit before income tax from turnkey projects and services increased by approximately RMB25.9 million or 11.1% from approximately RMB234.1million in 12M2008 to approximately RMB260.0 million in 12M2009.

Revenue from manufacturing segment increased by approximately RMB28.5million or 19.7% from approximately RMB144.6 million in 12M2008 to RMB173.1 million in 12M2009. Higher revenue in

12M2009 is due to full year results recorded in 2009 following acquisition of Hi-Standard in July 2008. Profit before income tax from manufacturing decreased by approximately RMB6.3 million or 19.1% from approximately RMB32.8million in 12M2008 to approximately RMB26.5 million in 12M2009. The decrease is partly due to full year amortisation of patents and land-use rights in 2009, thereby reducing the profits. Miscellaneous administrative expenses of Hi-Standard also increase as it enters into full year's operation.

The revenue and profit contribution from operations and maintenance segment amounted to approximately RMB5.7 million and approximately RMB7.5 million respectively in 12M2009. The profit included RMB6.7 million of deemed interest income. No comparison figures in 12M2008 as the BOT project only started operations in 4Q2009.

(16) A Breakdown Of Sales As Follows:

	Group	Group	
	31/12/2009	31/12/2008	% Increase /
	RMB'000	RMB'000	(Decrease)
(a) Sales reported for first half year	439,484	366,012	20.1%
(b) Operating profit after tax before deducting minority interests reported for first half year	103,780	80,407	29.1%
(c) Sales reported for second half year	853,992	658,796	29.6%
(d) Operating profit after tax before deducting minority interests reported for second half year	176,764	123,258	43.4%

(17) A Breakdown Of The Total Annual Dividend (In Dollar Value) For The Issuer's Latest Full Year And Its Previous Full Year As Follows:

	31/12/2009	31/12/2008
	S\$'000	S\$'000
Ordinary shares	Nil	10,320
Preference shares	Nil	Nil
Total	Nil	10,320

(18) Interested Person Transactions

On 15 August 2007, shareholders approved a general mandate for the Group to provide EPC and management services to the Beijing Sound Environment Group Co., Ltd (“BJ Sound”), its subsidiaries and associated companies. This general mandate was renewed at the annual general meeting held on 27 April 2009.

Name of Interested Person	Aggregate value of all Interested Person Transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders’ Mandate pursuant to Rule 920)	Aggregate value of all Interested Person Transactions conducted under Shareholders’ Mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RMB’000	RMB’000
Total	NIL	NIL

By Order Of The Board

Choo Beng Lor
Company Secretary

Singapore
1 March 2010