



MING HING WATERWORKS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 402)

2007
Interim Report

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. YUEN Chow Ming (*Chairman*)
 Mr. SO Yiu Cheung (*Deputy Chairman*)
 Mr. YUEN Wai Keung
 (*Deputy Chairman and Chief Executive Officer*)

Independent Non-Executive Directors

Ms. CHUNG Lai Kwok, Elaine
 (Appointed on 15 November 2007)
 Mr. SUN Bo Quan
 Dr. HO Chung Tai, Raymond
 (Resigned on 1 November 2007)
 Professor LEUNG Yee Tak
 Mr. CHEUNG Chi Man, Dennis

AUTHORISED REPRESENTATIVES

Mr. SO Yiu Cheung
 Mr. YUEN Wai Keung

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. YEUNG Yuen Sheung (*FCCA, CPA*)

AUDIT COMMITTEE

Mr. CHEUNG Chi Man, Dennis
 (*Chairman*) (*CPA (Aust), CPA*)
 Ms. CHUNG Lai Kwok, Elaine
 (Appointed on 15 November 2007)
 Mr. SUN Bo Quan
 (Appointed on 1 November 2007 &
 resigned on 30 November 2007)
 Dr. HO Chung Tai, Raymond
 (Resigned on 1 November 2007)
 Professor LEUNG Yee Tak

NOMINATION COMMITTEE

Mr. YUEN Wai Keung (*Chairman*)
 Professor LEUNG Yee Tak
 Mr. CHEUNG Chi Man, Dennis

REMUNERATION COMMITTEE

Mr. YUEN Wai Keung (*Chairman*)
 Professor LEUNG Yee Tak
 Mr. CHEUNG Chi Man, Dennis

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Units 1809-1812
 Telford House
 16 Wang Hoi Road
 Kowloon Bay
 Hong Kong

LEGAL ADVISERS

Cheng Wong Lam & Partners
 50/F., Bank of China Tower
 1 Garden Road
 Central
 Hong Kong

AUDITORS

Grant Thornton
 Certified Public Accountants
 13th Floor, Gloucester Tower
 The Landmark
 15 Queen's Road
 Central
 Hong Kong

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Hang Seng Bank Limited
 DBS Bank (Hong Kong) Limited
 United Overseas Bank Limited
 Dah Sing Bank, Limited

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman)
 Limited
 Butterfield House
 68 Fort Street
 P.O. Box 705
 George Town
 Grand Cayman
 Cayman Islands

BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
 26th Floor, Tesbury Centre
 28 Queen's Road East, Wanchai
 Hong Kong

STOCK CODE

402

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group continued to focus on the Hong Kong waterworks engineering sector. Waterworks projects from the Water Supplies Department remained to be the major source of income and generated steady contribution for the Group. Riding on its solid foundation in Hong Kong's waterworks market, the Group has started to tap into the fast-growing market in the PRC.

During the period under review, the Group has secured three new contracts which will bring in over HK\$290 million revenue in the next few years. These include water mains replacement and rehabilitation project in Tai Po and Fanling (contract number 21/WSD/06), and two landslip preventive projects in Tuen Mun, Eastern New Territories and Outlying Islands. The Group targets to maintain steady growth in the Hong Kong market and achieve margin improvement through stringent cost control.

While maintaining its stake in the Hong Kong market, the Group has established blueprints for its PRC market's development. In September 2007, the Group announced its acquisition of the assets of 湖南省寧鄉縣自來水公司 ("**Ningxiang Water**") (the "**Acquisition of Ningxiang Water**"), an exclusive water supply service provider in Ningxiang County for over 200,000 population. Ningxiang County is one of the major economic development areas in Changsha City, which is the capital of Hunan Province. With the existing daily water supply capacity of 95,000 tons, Ningxiang Water may supply water for a population of over 300,000 in the foreseeable future. The management believes that Ningxiang Water's efficiency and profitability can be further enhanced by minimizing the leakage rate and expanding its water distribution network. Given this huge business potential, the Acquisition of Ningxiang Water has marked a major milestone of the Group's penetration into the PRC waterworks market.

MANAGEMENT DISCUSSION AND ANALYSIS

Change of Company Name

With effect from August 2007, the Company's name has been changed to "Ming Hing Waterworks Holdings Limited" as a means to show the Group's intention to focus on water supply business as its growth strategy.

FINANCIAL REVIEW

Financial highlights

For the six months ended 30 September 2007, the Group recorded solid growth with turnover of HK\$310.6 million, representing an increase of 65.9% compared with the same period last year. Gross profit increased by HK\$12.5 million to HK\$35.8 million. Profit for the period amounted to HK\$11.0 million (six months ended 30 September 2006: HK\$6.7 million) was arrived at after the recognition of share option expense of HK\$3.2 million (six months ended 30 September 2006: nil) which was determined based on the fair value of the share options granted by the Company to certain subcontractors, supplier, the Directors and employees of the Group. Profit for the period excluding such expense was HK\$14.2 million. Basic earnings per share was approximately HK1.34 cents (six months ended 30 September 2006: HK1.05 cents, as restated). Since the Acquisition of Ningxiang Water was still in progress as at 30 September 2007, its operating results had not been consolidated into the Group's interim results.

Revenue

During the period under review, income generated from maintenance contracts amounted to HK\$284.6 million (six months ended 30 September 2006: HK\$134.5 million), contributing approximately 91.6% to the Group's total turnover (six months ended 30 September 2006: 71.8%). The increase in maintenance contracts revenue was mainly attributable to the commencement of a three-year term contract of waterworks installations in the New Territories East district (contract number 1/WSD/06(E)) since September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group recorded gross profit of HK\$35.8 million, representing an increase of 53.6% from HK\$23.3 million in the same period of last year. The Group shall continue to explore materials sourcing opportunities in the PRC and enhance its existing procurement and administrative procedures with an aim of achieving margin improvement.

Capital Expenditure

During the period under review, the Group spent HK\$5.5 million on acquisition of property, plant and equipment in Hong Kong, while approximately HK\$31 million was paid as a partial settlement of the consideration on the Acquisition of Ningxiang Water. In the second half of financial year 2007/08, the Group expects capital expenditure will be mainly spent on the acquisitions of water supply plants in the Guangxi Province and the Guangdong Province of the PRC.

Operating Expenses

During the period under review, the Group's administrative expenses amounted to HK\$21.8 million (six months ended 30 September 2006: HK\$15.4 million). The Group's administrative expenses mainly consisted of legal and professional fees, staff costs (including Directors' emoluments) and depreciation expenses. The increase in administrative expenses was mainly due to the increase in staff cost and depreciation expenses as a result of continual growth in the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity & Financial Resources

The Group carried out two equity fund raising activities during the period under review. A total of 256,000,000 new Shares (adjusted for the effect of the Shares Subdivision) were issued with total gross proceeds of HK\$247.0 million raised, of which HK\$165.0 million was intended to be spent on potential acquisition of water projects in the PRC. These capital resources provided a substantial support for the Group's expansion and development in the PRC waterworks market.

For the six months ended 30 September 2007, the Group's capital expenditure was approximately HK\$36.5 million. The amount was mainly spent on the investment in Ningxiang Water. Cash and cash equivalents increased to HK\$135.5 million (as at 31 March 2007: HK\$11.5 million), mainly due to the two equity fund raising activities carried out during the period under review. Total borrowings reduced to HK\$98.0 million (as at 31 March 2007: HK\$130.1 million) as a result of repayment of bank loans during the period.

Human Resources

As at 30 September 2007, the Group employed over 440 employees (as at 31 March 2007: 400 employees) and over half of them are direct labour. Total staff costs, including Directors' emoluments, for the period under review amounted to HK\$39.8 million (six months ended 30 September 2006: HK\$24.7 million). The Group remunerates its employees in line with market trends and industrial practice. Discretionary bonus and share options are granted to eligible staff with reference to the Group's and individual's performance.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Benefits from favourable government policy in Hong Kong

The 2007-08 Policy Address stated that the Hong Kong government will push ahead 10 large-scale infrastructure projects. It is estimated that the projects will cost about HK\$250 billion. Water service engineering is one of the prerequisite to support such infrastructure engineering works and its future utilisation. As a key water services provider in Hong Kong, the Group is in an advantageous position to obtain material economic benefits from these upcoming projects.

Exploring investment opportunities in the PRC for the prosperous future

With the open up of water market and promotion of water price reform, the PRC government has created enormous opportunities in water industry. To capture these tremendous benefits, the Group has made significant strides over the year. Following the Acquisition of Ningxiang Water, the Group is currently in negotiation to form joint ventures in the Guangdong Province and the Guangxi Province for its participation in water supply business. Leveraging on the Group's expertise in the water services industry, together with the support of China Water Affairs Group Limited, a strategic partner with extensive water service experience in the PRC market, the Group will actively explore more investment opportunities with sound development prospects in the PRC. This vast market will continue to be the Group's key focus moving forward.

With a favorable market environment, a dedicated management team and a comprehensive development roadmap, the management will endeavor to sustain business growth and achieve satisfactory returns in the coming years.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2007, the directors of the Company (the "**Directors**") had the following interests in the shares and underlying shares of the Company and its associated corporations which were recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"):

*Long position in the ordinary shares of HK\$0.05 each of the Company (the "**Shares**")*

Name of Director	Notes	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. YUEN Chow Ming	1	Interest of controlled corporation	453,888,000	48.65%
Mr. SO Yiu Cheung	2	Interest of controlled corporation	453,888,000	48.65%
		Personal	2,000,000	0.21%
Mr. YUEN Wai Keung	3	Interest of controlled corporation	453,888,000	48.65%
		Personal	1,500,000	0.16%

OTHER INFORMATION

Notes:

- (1) The 453,888,000 Shares are registered in the name of Robinhoods Development Limited ("**Robinhoods**"), of which Able Promise Holdings Limited ("**Able Promise**") is entitled to exercise, or control the exercise of, one-third of the voting power at general meetings of the Company. Able Promise is wholly-owned by Mr. YUEN Chow Ming, who is therefore deemed to be interested in these Shares under the SFO.
- (2) The 453,888,000 Shares are registered in the name of Robinhoods, of which Group Honour Assets Limited ("**Group Honour**") is entitled to exercise, or control the exercise of, one-third of the voting power at general meetings of the Company. Group Honour is wholly-owned by Mr. SO Yiu Cheung, who is therefore deemed to be interested in these Shares under the SFO.
- (3) The 453,888,000 Shares are registered in the name of Robinhoods, of which Foremost Time Holdings Limited ("**Foremost Time**") is entitled to exercise, or control the exercise of, one-third of the voting power at general meetings of the Company. Foremost Time is wholly-owned by Mr. YUEN Wai Keung, who is therefore deemed to be interested in these Shares under the SFO.

Beneficial interests in the shares of associated corporations

Name of Director	Notes	Name of associated corporation	Number of shares held in the associated corporation	Approximate percentage of shareholding
Mr. YUEN Chow Ming	1	Robinhoods	four	33.33%
		Able Promise	one	100.00%
Mr. SO Yiu Cheung	2	Robinhoods	four	33.33%
		Group Honour	one	100.00%
Mr. YUEN Wai Keung	3	Robinhoods	four	33.33%
		Foremost Time	one	100.00%

OTHER INFORMATION

Notes:

- (1) The four (4) shares are held by Able Promise, a company wholly-owned by Mr. YUEN Chow Ming. Accordingly, Mr. YUEN is deemed to be interested in such four shares in Robinhoods.
- (2) The four (4) shares are held by Group Honour, a company wholly-owned by Mr. SO Yiu Cheung. Accordingly, Mr. SO is deemed to be interested in such four shares in Robinhoods.
- (3) The four (4) shares are held by Foremost Time, a company wholly-owned by Mr. YUEN Wai Keung. Accordingly, Mr. YUEN is deemed to be interested in such four shares in Robinhoods.

Long position in underlying Shares

As at 30 September 2007, each of the Directors held options under the Company's share option scheme adopted on 25 February 2006 and such options entitle each of the Directors to subscribe for 200,000 Shares from 17 April 2007 to 31 May 2009 at an exercise price of HK\$0.975 per Share. Details of the options granted to the Directors are set out in the section headed "Share Options" below.

Save as disclosed above, as at 30 September 2007, none of the Directors and their associates, had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2007, so far as the Directors are aware of, the following substantial shareholders had interests in 5% or more of the Company's issued share capital:

Long position in the Shares

Name of Substantial Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Robinhoods	Beneficial owner	453,888,000	48.65%
Able Promise	Interest of controlled corporation	453,888,000	48.65%
Group Honour	Interest of controlled corporation	453,888,000	48.65%
Foremost Time	Interest of controlled corporation	453,888,000	48.65%
Oceanup	Beneficial owner	128,000,000	13.72%
China Water (Note)	Interest of controlled corporation	128,000,000	13.72%

Note: These Shares are registered in the name of Oceanup Investments Limited ("**Oceanup**"), which is a wholly-owned subsidiary of China Water Affairs Group Limited ("**China Water**").

OTHER INFORMATION

SHARE OPTIONS

The Company has adopted a share option scheme (the “**Scheme**”) pursuant to a written resolution of all the then shareholders passed on 25 February 2006. The purpose of the Scheme is to recognise and acknowledge the contributions that the eligible participants have made or may make to the business development of the Group. Eligible participants of the Scheme include (i) the Company’s executive, non-executive or independent non-executive Directors or a director of an entity in which the Group holds an interest (the “**Affiliate**”); (ii) other employee or officer of the Group or any Affiliate; (iii) customer, supplier, agent, partner, consultant, adviser, shareholder of or contractor to the Group or any Affiliate; (iv) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include persons under (i), (ii) and (iii); and (v) a company beneficially owned by any persons under (i), (ii) and (iii).

A summary of the movements in the Company’s share options during the period under review is as follows:

Grantees	Date of grant	Exercise price HK\$ (Note 1)	Closing price of Shares immediately before the date of grant HK\$ (Note 2)	Exercisable period	Number of share options				
					At 1 April 2007 (Note 2)	Granted during the period (Note 2)	Exercised during the period (Notes 2 & 4)	Lapsed during the period	At 30 September 2007

Directors

Mr. YUEN Chow Ming	17/04/2007	0.975	0.920	17/04/2007 to 31/05/2009	-	200,000	-	-	200,000
Mr. SO Yiu Cheung	17/04/2007	0.975	0.920	17/04/2007 to 31/05/2009	-	200,000	-	-	200,000

OTHER INFORMATION

Grantees	Date of grant	Exercise price HK\$ (Note 1)	Closing price of Shares immediately before the date of grant HK\$ (Note 2)	Exercisable period	Number of share options				
					At 1 April 2007	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2007
					(Note 2)	(Note 2)	(Notes 2 & 4)		
Mr. YUEN Wai Keung	17/04/2007	0.975	0.920	17/04/2007 to 31/05/2009	-	200,000	-	-	200,000
Mr. SUN Bo Quan	17/04/2007	0.975	0.920	17/04/2007 to 31/05/2009	-	200,000	-	-	200,000
Dr. HO Chung Tai, Raymond (Note 3)	17/04/2007	0.975	0.920	17/04/2007 to 31/05/2009	-	200,000	-	-	200,000
Professor LEUNG Yee Tak	17/04/2007	0.975	0.920	17/04/2007 to 31/05/2009	-	200,000	-	-	200,000
Mr. CHEUNG Chi Man, Dennis	17/04/2007	0.975	0.920	17/04/2007 to 31/05/2009	-	200,000	-	-	200,000
					-	1,400,000	-	-	1,400,000

OTHER INFORMATION

Grantees	Date of grant	Exercise price HK\$	Closing price of Shares immediately before the date of grant HK\$	Exercisable period	Number of share options				At 30 September 2007
					At 1 April 2007	Granted during the period	Exercised during the period	Lapsed during the period	
	(Note 1)	(Note 2)	(Note 2)		(Note 2)	(Note 2)	(Notes 2 & 4)		
Employees	04/04/2007	0.600	0.585	04/04/2007 to 31/05/2009	-	3,100,000	1,400,000	-	1,700,000
	17/04/2007	0.975	0.920	17/04/2007 to 31/05/2009	-	1,000,000	700,000	-	300,000
	17/05/2007	1.420	1.425	17/05/2007 to 31/05/2009	-	900,000	260,000	-	640,000
					-	5,000,000	2,360,000	-	2,640,000
Suppliers of services or goods	26/03/2007	0.445	0.415	26/03/2007 to 31/05/2009	38,400,000	-	29,400,000	-	9,000,000
	04/04/2007	0.600	0.585	04/04/2007 to 31/05/2009	-	19,200,000	5,800,000	-	13,400,000
					38,400,000	19,200,000	35,200,000	-	22,400,000
					38,400,000	25,600,000	37,560,000	-	26,440,000

OTHER INFORMATION

Notes:

- (1) The vesting date is the date of grant.
- (2) Pursuant to an ordinary resolution passed on 12 June 2007, the issued and unissued ordinary shares of HK\$0.1 each of the Company was subdivided into two ordinary shares of HK\$0.05 each (the “**Shares Subdivision**”). The exercise price and the number of share options granted and exercised before 12 June 2007 were adjusted for the effect of the Shares Subdivision.
- (3) Pursuant to the Scheme, the options granted to Dr. HO Chung Tai, Raymond on 17 April 2007 were lapsed due to his resignation as an independent non-executive Director with effect from 1 November 2007.
- (4) The weighted average closing price of the Shares immediately preceding the dates on which the options were exercised was HK\$1.41.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company repurchased 680,000 Shares on 8 August 2007 on the Stock Exchange at an aggregate price of HK\$704,000 with the highest and lowest purchase prices per Share at HK\$1.05 and HK\$1.00 respectively.

The repurchased Shares were subsequently cancelled by the Company. The issued share capital of the Company was reduced by the par values thereof. The premium paid on the repurchase of the Shares and related expenses, in the amount of HK\$675,000, was charged to the share premium account.

The repurchase of the Shares during the period under review was effected by the Directors pursuant to the general mandate approved by the shareholders at the annual general meeting of the Company held on 18 August 2006, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per Share of the Group.

OTHER INFORMATION

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares during the six months ended 30 September 2007.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The board of the Directors (the “**Board**”) considers that good corporate governance is essential for enhancing accountability and transparency of a company to the investment public and other shareholders. The Directors are dedicated to maintain high standard corporate governance practices. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and to fulfill its commitment to excellence in corporate governance.

The Company has complied with the applicable code provisions of the Code of Corporate Governance Practices set out in appendix 14 to the Listing Rules for the six months ended 30 September 2007.

The Company has adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. The obligations to comply with the Listing Rules are set out in the terms of the service contracts of each executive Director and the letters of appointment of each independent non-executive Director. The Company has made specific enquiries with the Directors, and all Directors have confirmed that they have complied with the requirements set out under the Model Code for the six months ended 30 September 2007.

OTHER INFORMATION

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. CHEUNG Chi Man, Dennis (as chairman of the Audit Committee), Ms. CHUNG Lai Kwok, Elaine and Professor LEUNG Yee Tak. The Audit Committee has, at the date of this report, reviewed with the Company’s management and the auditors of the Company, the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2007 before submitting to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

By Order of the Board
YUEN Chow Ming
Chairman

Hong Kong, 14 December 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Notes	Six months ended 30 September	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenue	4	310,605	187,187
Cost of revenue		(274,757)	(163,841)
Gross profit		35,848	23,346
Other income	4	2,355	826
Administrative expenses		(21,795)	(15,444)
Operating profit	5	16,408	8,728
Finance costs	6	(3,151)	(1,123)
Profit before income tax		13,257	7,605
Income tax expense	7	(2,297)	(912)
Profit for the period		10,960	6,693
Dividends	8	–	–
		HK cents	HK cents
Earnings per share	9		
– Basic		1.34	1.05*
– Diluted		1.31	1.05*

* restated

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

	Notes	At 30 September 2007 HK\$'000 (Unaudited)	At 31 March 2007 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	30,855	29,333
Retention receivables	11	5,318	4,706
Pledged bank deposit		–	5,000
Prepayment for investments	16(b)	31,000	–
		67,173	39,039
Current assets			
Amounts due from customers of contract works		291,261	236,348
Trade and other receivables	11	60,198	50,871
Pledged bank deposits		28,187	19,229
Cash and cash equivalents		135,478	11,461
		515,124	317,909
Current liabilities			
Trade and other payables	12	56,083	59,458
Borrowings	13	93,370	108,593
Provision for tax		5,513	3,585
		154,966	171,636
Net current assets		360,158	146,273
Total assets less current liabilities		427,331	185,312
Non-current liabilities			
Borrowings	13	4,586	21,493
Deferred tax		3,043	3,067
		7,629	24,560
Net assets		419,702	160,752
EQUITY			
Share capital	14	46,644	32,000
Proposed final dividend		–	10,426
Reserves		373,058	118,326
Total equity		419,702	160,752

SO Yiu Cheung
Director

YUEN Wai Keung
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total equity HK\$'000
(Unaudited)								
At 1 April 2006	32,000	12,010	13,805	-	-	65,339	11,520	134,674
Profit for the period/ Total recognised income and expense for the period	-	-	-	-	-	6,693	-	6,693
2006 final dividend paid	-	-	-	-	-	-	(11,520)	(11,520)
At 30 September 2006	32,000	12,010	13,805	-	-	72,032	-	129,847
(Unaudited)								
At 1 April 2007	32,000	12,010	13,805	3,282	-	89,229	10,426	160,752
Profit for the period/ Total recognised income and expense for the period	-	-	-	-	-	10,960	-	10,960
2007 final dividend paid (note 8)	-	-	-	-	-	-	(10,448)	(10,448)
Adjustment for 2007 final dividend	-	-	-	-	-	(22)	22	-
Share options granted (note 15)	-	-	-	3,204	-	-	-	3,204
Shares issued under share options (note 14(b))	1,878	20,094	-	(3,517)	-	-	-	18,455
Issue of new shares (note 14(c))	12,800	234,240	-	-	-	-	-	247,040
Share issue expenses (note 14(c))	-	(9,552)	-	-	-	-	-	(9,552)
Repurchase of shares (note 14(d))	(34)	(675)	-	-	34	(34)	-	(709)
At 30 September 2007	46,644	256,117	13,805	2,969	34	100,133	-	419,702

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(48,303)	(76,239)
Net cash used in investing activities	(39,731)	(10,066)
Net cash generated from financing activities	212,051	22,941
Net increase/(decrease) in cash and cash equivalents	124,017	(63,364)
Cash and cash equivalents at beginning of the period	11,461	97,067
Cash and cash equivalents at end of the period	135,478	33,703
Analysis of cash and cash equivalents		
Cash at banks and in hand	135,478	33,708
Bank overdrafts	–	(5)
	135,478	33,703

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

1. GENERAL INFORMATION

Ming Hing Waterworks Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 25 May 2004 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its principal place of business is Units 1809-1812, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong.

The Company and its subsidiaries (the “**Group**”) are principally engaged in the provision of maintenance and construction works on civil engineering contracts in respect of waterworks engineering, road works and drainage and slope upgrading for the public sector in Hong Kong.

Pursuant to the special resolution of the Company passed on 11 June 2007, the name of the Company has been changed from “Ming Hing Holdings Limited 明興控股有限公司” to “Ming Hing Waterworks Holdings Limited 明興水務控股有限公司”.

The interim results of the Group are unaudited and have been reviewed by the Company’s Audit Committee. The unaudited condensed consolidated financial statements for the six months ended 30 September 2007 (the “**Interim Financial Statements**”) were approved for issue by the board of directors on 14 December 2007.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Statements do not include all of the information required for full annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2007.

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The accounting policies used in preparing the Interim Financial Statements are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2007 with the addition of certain standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRSs") issued and became effective in the current interim period as described below.

3.1 Impact of new and revised HKFRSs which are effective in the current interim period

In the current interim period, the Group has adopted, for the first time, all the new and revised HKFRSs which are effective for annual periods beginning on or after 1 January 2007. The adoption of the new and revised HKFRSs does not result in substantial changes to the Group's accounting policies and has no significant financial impact on the current or the prior accounting periods.

3.2 Impact of new and revised HKFRSs which are issued but not yet effective

The followings are new and revised HKFRSs which are issued but not yet effective in the current interim period:

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

The Group has not early adopted the above HKFRSs. The directors anticipate that the adoption of the above HKFRSs will not result in significant changes in accounting policies of the Group or have significant financial impact on the Group's financial statements in the period of initial application.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

4. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue represents contract revenue from maintenance and construction work on civil engineering contracts. An analysis of revenue and other income is as follows:

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	310,605	187,187
Other income:		
Bank interest income	2,348	826
Sundry income	7	–
	2,355	826
	312,960	188,013

The Group is principally engaged in waterworks engineering contracting business in Hong Kong and all of the Group's operating facilities are located in Hong Kong. Accordingly, no business and geographical segment analyses are presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

5. OPERATING PROFIT

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating profit is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
– owned assets	2,473	2,038
– leased assets	1,199	647
	3,672	2,685
Loss/(Gain) on disposal of property, plant and equipment	184	(2)
Staff costs (including directors' emoluments)	39,787	24,671
Amount recognised as expense for retirement benefits scheme (included in staff costs)	1,590	968
Operating lease charges		
– land and buildings	517	492
– plant and machinery	4,049	1,742
	4,566	2,234
Equity-settled share option expense (note 15)	3,204	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

6. FINANCE COSTS

	Six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Interest charges on:		
Bank loans wholly repayable within five years	2,840	1,101
Interest element of finance lease payments	311	22
	3,151	1,123

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September 2006: 17.5%) on the estimated assessable profit for the period.

	Six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Hong Kong profits tax	2,321	1,177
Deferred tax	(24)	(265)
Income tax expense	2,297	912

8. DIVIDENDS

No dividend has been paid or declared by the Company in respect of the current or prior interim periods.

During the current interim period, a dividend of HK1.12 cents per share, amounted to HK\$10,448,000, was paid to the shareholders whose names appeared on the register of members of the Company as at 23 August 2007 as the final dividend for the year ended 31 March 2007.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of HK\$10,960,000 (six months ended 30 September 2006: HK\$6,693,000) and the weighted average number of ordinary shares in issue during the period of 816,791,000 (six months ended 30 September 2006: 640,000,000, as restated), as adjusted to reflect the Shares Subdivision as detailed in note 14(a). The weighted average number of ordinary shares in issue during the period ended 30 September 2006 was restated as if the Shares Subdivision had occurred on 1 April 2006.

The calculation of diluted earnings per share is based on the profit for the period of HK\$10,960,000 (six months ended 30 September 2006: HK\$6,693,000) and the weighted average number of ordinary shares in issue during the period adjusted for the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options of the Company which is calculated as follows:

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the calculation of basic earnings per share	816,791,000	640,000,000
Effect of dilutive potential ordinary shares in respect of the share options granted	21,612,000[#]	–
Weighted average number of ordinary shares for the purpose of calculating dilutive earnings per share	838,403,000	640,000,000

[#] adjusted for the effect of the Shares Subdivision

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2007, the Group incurred capital expenditure of approximately HK\$1,502,000 in furniture, fixtures and equipment, approximately HK\$640,000 in leasehold improvements, approximately HK\$2,601,000 in motor vehicles and approximately HK\$764,000 in machinery and tools. No significant disposal of property, plant and equipment was made during the period.

11. TRADE AND OTHER RECEIVABLES

Details of the trade and other receivables including ageing analysis of trade receivables are as follows:

	At 30 September 2007 HK\$'000 (Unaudited)	At 31 March 2007 HK\$'000 (Audited)
Trade receivables		
Within 3 months	35,800	32,149
4 to 6 months	–	–
7 to 9 months	–	–
10 to 12 months	–	181
Over 12 months	181	–
	35,981	32,330
Retention receivables	7,480	8,808
Prepayments	8,772	8,117
Deposits	1,302	1,026
Other receivables	11,981	5,296
	65,516	55,577
Less: Retention receivables included under non-current assets	(5,318)	(4,706)
	60,198	50,871

Credit period granted to customers of contract works is normally 30 days to 60 days. Application for progress payments of contract works is made on a regular basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

12. TRADE AND OTHER PAYABLES

Details of the trade and other payables including ageing analysis of trade payables (based on invoice date) are as follows:

	At 30 September 2007 HK\$'000 (Unaudited)	At 31 March 2007 HK\$'000 (Audited)
Trade payables		
Within 3 months	33,022	36,732
4 to 6 months	4,332	5,607
7 to 9 months	569	748
10 to 12 months	276	268
Over 12 months	1,352	818
	39,551	44,173
Retention payables	179	479
Other payables and accruals	16,353	14,806
	56,083	59,458

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

13. BORROWINGS

	At 30 September 2007 HK\$'000 (Unaudited)	At 31 March 2007 HK\$'000 (Audited)
Current		
Bank loans (note (a))	88,480	103,961
Finance lease liabilities (note (b))	4,890	4,632
	93,370	108,593
Non-current		
Bank loans (note (a))	–	15,000
Finance lease liabilities (note (b))	4,586	6,493
	4,586	21,493
Total borrowings	97,956	130,086
Analysed into:		
Bank loans repayable		
Within one year	88,480	103,961
In the second year	–	15,000
	88,480	118,961
Other borrowings repayable		
Within one year	4,890	4,632
In the second year	4,288	4,396
In the third to fifth years, inclusive	298	2,097
	9,476	11,125
	97,956	130,086

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

13. BORROWINGS (Continued)

Notes:

- (a) All bank loans are secured by the corporate guarantees issued by the Company and of which HK\$88,480,000 (At 31 March 2007: HK\$108,961,000) are secured by charges over bank deposits amounting to HK\$24,144,000 (At 31 March 2007: HK\$24,229,000). Apart from this, one of the bank loans amounting to HK\$31,923,000 (As at 31 March 2007: HK\$39,925,000) is secured by the proceeds on a civil engineering contract which expires on 31 August 2008.
- (b) The analysis of the obligations under finance leases is as follows:

	At 30 September 2007 HK\$'000 (Unaudited)	At 31 March 2007 HK\$'000 (Audited)
Total minimum lease payments		
Due within one year	5,363	5,183
Due in the second year	4,456	4,665
Due in the third to fifth years, inclusive	307	2,135
	10,126	11,983
Less: future finance charges on finance leases	(650)	(858)
Present value of finance lease liabilities	9,476	11,125
Present value of financial lease liabilities		
Due within one year	4,890	4,632
Due in the second year	4,288	4,396
Due in the third to fifth years, inclusive	298	2,097
	9,476	11,125
Less : portion due within one year included under current liabilities	(4,890)	(4,632)
Non-current portion included under non-current liabilities	4,586	6,493

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

13. BORROWINGS (Continued)

(c) Other information about the borrowings:

	Effective interest rate per annum					
	At 30 September 2007			At 31 March 2007		
	Original currency	Floating interest rate	Fixed rate	Original currency	Floating interest rate	Fixed rate
Bank loans	HK\$	5.6% – 6.6%	5.8%	HK\$	5.2% – 6.0%	5.8%
Finance lease liabilities	HK\$	3.3% – 6.6%	–	HK\$	5.8% – 5.9%	–

14. SHARE CAPITAL

	Notes	At 30 September 2007 (Unaudited)			At 31 March 2007 (Audited)		
		Par value HK\$	Number of ordinary shares	Nominal value HK\$'000	Par value HK\$	Number of ordinary shares	Nominal value HK\$'000
Authorised							
Balance at beginning of the period/year		0.1	1,000,000,000	100,000	0.1	1,000,000,000	100,000
Subdivision of shares	(a)		1,000,000,000	–		–	–
Balance at end of the period/year		0.05	2,000,000,000	100,000	0.1	1,000,000,000	100,000
Issued and fully paid							
Balance at beginning of the period/year		0.1	320,000,000	32,000	0.1	320,000,000	32,000
Shares issued under share options	(b)	0.1	15,380,000	1,538	–	–	–
Issue of new shares	(c)	0.1	64,000,000	6,400	–	–	–
Subdivision of shares	(a)		399,380,000	–		–	–
		0.05	798,760,000	39,938	0.1	320,000,000	32,000
Shares issued under share options	(b)	0.05	6,800,000	340	–	–	–
Issue of new shares	(d)	0.05	128,000,000	6,400	–	–	–
Repurchase of shares	(e)	0.05	(680,000)	(34)	–	–	–
Balance at end of the period/year		0.05	932,880,000	46,644	0.1	320,000,000	32,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

14. SHARE CAPITAL (Continued)

Notes:

- (a) Pursuant to the ordinary resolution of the Company passed on 11 June 2007, every issued and unissued ordinary share of HK\$0.1 each of the Company was subdivided into two ordinary shares of HK\$0.05 each (the “**Shares Subdivision**”). The Shares Subdivision became effective on 12 June 2007. As a result of the Shares Subdivision, the authorised share capital of the Company has become HK\$100,000,000 divided into 2,000,000 ordinary shares of HK\$0.05 each and the issued share capital immediately prior to the Shares Subdivision of HK\$39,938,000 divided into 399,380,000 ordinary shares of HK\$0.1 each has become HK\$39,938,000 divided into 798,760,000 ordinary shares of HK\$0.05 each.
- (b) The subscription rights attached to 15,380,000 share options exercised prior to the Shares Subdivision and to 6,800,000 share options exercised after the Shares Subdivision has resulted in the issue of 15,380,000 shares of HK\$0.1 each (before the effect of the Shares Subdivision) and 6,800,000 shares of HK\$0.05 each (after the effect of the Shares Subdivision) for a total cash consideration of HK\$18,455,000. Out of the cash consideration, HK\$1,878,000 was credited to share capital and the balance of HK\$16,577,000 was credited to the share premium account. HK\$3,517,000 has been transferred from the share option reserve to the share premium account.
- (c) On 13 April 2007, the Company entered into a subscription agreement with China Water Affairs Group Limited (“**China Water**”) and Oceanup Investments Limited (“**Oceanup**”) under which China Water has agreed to subscribe, through Oceanup, and the Company has agreed to issue 64,000,000 ordinary shares of the Company at the subscription price of HK\$0.80 per share (before the effect of the Shares Subdivision).

On 15 June 2007, the Company entered into a placement agreement (the “**Placement Agreement**”) with Robinhoods Development Limited (“**Robinhoods**”), a substantial shareholder of the Company, and a placing agent. Pursuant to the Placement Agreement, the placing agent has agreed to procure for the sale of up to 128,000,000 ordinary shares held by Robinhoods to independent third parties at HK\$1.53 per share. On the same day, the Company entered into a subscription agreement with Robinhoods, pursuant to which Robinhoods has conditionally agreed to subscribe for the equivalent number of ordinary shares that are actually sold by the placing agent at HK\$1.53 per share. On 21 June 2007, 128,000,000 ordinary shares were placed to the placing agent and on 29 June 2007, the same number of ordinary shares was issued and subscribed by Robinhoods.

The net proceeds generated from the above-mentioned subscription and placing amounted to approximately HK\$237,488,000.

- (d) On 8 August 2007, the Company purchased 680,000 of its own shares on the Stock Exchange at a consideration of approximately HK\$704,000. As a result of the share repurchase, an amount equivalent to the par value of the shares repurchased of HK\$34,000 was transferred from retained profits to the capital redemption reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

15. SHARE-BASED COMPENSATION

For details of the movement of the Company's share options during the current interim period, please refer to section headed "Other Information".

The share option expense arose from granting 25,600,000 share options (after the effect of the Shares Subdivision) of the Company during the current interim period was approximately HK\$3,204,000 in aggregate which was recognised as expense in the condensed consolidated income statement of the current interim period. The share option expense in respect of the share options granted to the sub-contractors and supplier of goods or services amounting to HK\$2,203,000 was recognised as cost of revenue while the share option expense in respect of the share options granted to the directors and employees amounting to HK\$1,001,000 was recognised as administrative expenses. The corresponding amount of HK\$3,204,000 was credited to the share option reserve.

For details about the share options exercised during the current interim period, please refer to note 14(b).

16. COMMITMENTS

- (a) As at 30 September 2007, the future aggregate minimum lease rental payable under a non-cancellable operating lease in respect of land and buildings was as follows:

	At 30 September 2007 HK\$'000 (Unaudited)	At 31 March 2007 HK\$'000 (Audited)
Within one year	492	984

The Group leases certain properties under the operating lease. The lease runs for an initial period of three years and eight months, with an option to renew the lease and renegotiate the terms at the expiry date. The lease does not include any contingent rentals.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

16. COMMITMENTS (Continued)

(b) On 31 August 2007, the Group entered into an agreement (the “**Agreement**”) with the local government authority of Ningxiang County, Changsha City, Hunan Province, the PRC (“**Ningxiang Government**”). Under the Agreement, the Group has agreed to acquire the assets of 湖南省寧鄉縣自來水公司 (“**Ningxiang Water**”), a state-owned enterprise established under the laws of the People’s Republic of China (the “**PRC**”), from Ningxiang Government at a cash consideration of RMB90 million (equivalent to approximately HK\$93 million) (the “**Acquisition**”). On 19 September 2007, 明興水務(長沙)有限公司, a wholly-owned PRC subsidiary of the Group, was formed for the Acquisition. The Acquisition was still in progress as at 30 September 2007. Part of the consideration amounted to RMB30 million (equivalent to approximately HK\$31 million) was settled as at 30 September 2007 and the remaining consideration of RMB60 million (equivalent to approximately HK\$62 million) was outstanding, which may be settled by way of offsetting against the liabilities of Ningxiang Water at the option of the Company subject to consents from the relevant creditors of those liabilities. Further details about the transaction are set out in the circular to the shareholders of the Company dated 27 September 2007.

Save as disclosed above, the Group did not have any other material commitments as at 30 September 2007.

17. CONTINGENT LIABILITIES AND LITIGATIONS

As at 30 September 2007, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as at the date of these financial statements. Claim amounts are not specified in the applications of these lawsuits and claims. At this stage, there is no reliable basis to quantify the total amount of losses which may arise in respect of each of these lawsuits and claims. In the opinion of the directors, sufficient insurance policies are maintained to cover the losses, if any, arising from these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have any material adverse impact on the financial position of the Group.

During the year ended 31 March 2007, the Group has received two claims from a sub-contractor in respect of two completed projects with an aggregate claim amount of approximately HK\$7 million. The claims are not yet settled as at the date of these financial statements. In the opinion of the directors, the claims will unlikely result in any material financial impact on the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following related party transactions:

(i) Transactions with a related company

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental expenses for office premises paid to Grand Media Limited	492	492

The directors of the Company, Mr. Yuen Chow Ming, Mr. So Yiu Cheung and Mr. Yuen Wai Keung, have equity interests of 34%, 33% and 33%, respectively, in the above related company.

(ii) Key management personnel

Included in staff costs are key management personnel compensation which comprises the following categories:

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	3,462	2,134
Post-employment benefits	48	36
	3,510	2,170