

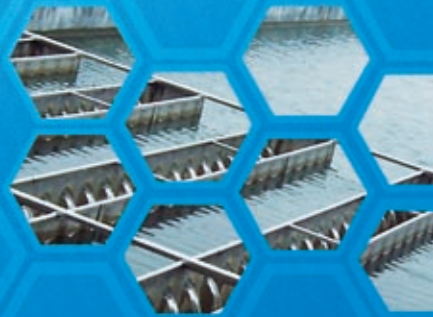


MING HING WATERWORKS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 402)

Interim Report 2008





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CORPORATE INFORMATION

DIRECTORS

Executive Directors

- Mr. YUEN Chow Ming (*Chairman*)
Mr. YUEN Wai Keung
(*Deputy Chairman and
Chief Executive Officer*)
Mr. SO Yiu Cheung (*Deputy Chairman*)
Mr. CHEUNG Chi Man, Dennis
(Re-designated on 15 October 2008)

Independent Non-Executive Directors

- Ms. CHUNG Lai Kwok, Elaine
Mr. SUN Bo Quan
Mr. CHENG Ka Ming, Martin
(Appointed on 1 October 2008)
Professor LEUNG Yee Tak
Mr. WONG Lap Shek, Eddie
(Appointed on 15 October 2008)

AUTHORISED REPRESENTATIVES

- Mr. SO Yiu Cheung
Mr. YUEN Wai Keung

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

- Mr. CHEUNG Chi Man, Dennis
(Appointed on 15 October 2008)
Ms. YEUNG Yuen Sheung
(Resigned on 15 October 2008)

AUDIT COMMITTEE

- Mr. WONG Lap Shek, Eddie (*Chairman*)
(Appointed on 15 October 2008)
Ms. CHUNG Lai Kwok, Elaine
Mr. CHENG Ka Ming, Martin
(Appointed on 1 October 2008)
Professor LEUNG Yee Tak
Mr. CHEUNG Chi Man, Dennis
(Resigned on 15 October 2008)

NOMINATION COMMITTEE

- Mr. YUEN Wai Keung (*Chairman*)
Professor LEUNG Yee Tak
Mr. WONG Lap Shek, Eddie
(Appointed on 15 October 2008)
Mr. CHEUNG Chi Man, Dennis
(Resigned on 15 October 2008)

REMUNERATION COMMITTEE

- Mr. YUEN Wai Keung (*Chairman*)
Professor LEUNG Yee Tak
Mr. WONG Lap Shek, Eddie
(Appointed on 15 October 2008)
Mr. CHEUNG Chi Man, Dennis
(Resigned on 15 October 2008)

CORPORATE INFORMATION

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

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group continued with its two-pronged strategy of consolidating its position in the Hong Kong market while penetrating into Mainland China's water services industry. Waterworks contracts from the Hong Kong Water Supplies Department continued to bring steady contribution and remained as the major source of income for the Group. In addition, the Group will continue to dedicate its efforts in providing quality water-related services to the people in both Hong Kong and Mainland China.

During first half FY 2008/09, revenue from the Hong Kong market was maintained at a healthy level. However, with raw material and labor costs rising, profit margins for the period were squeezed. As a counter measure, the Group is planning to restructure its operation by increasing sourcing of raw material directly from the PRC and expanding its sub-contractor pool to assure that it will enjoy the most competitive prices and reduce reliance on direct labour hence wage expense. Apart from tightening cost control, the Group has kept its eyes on promising business opportunities such as the government's Water-Mains Replacement and Rehabilitation Program and the "10 large-scale infrastructure projects" mentioned in the current year Policy Address of the Hong Kong Government. Recently, the Group has submitted several tenders to bid for relevant government projects, which if successful, will help to boost its income for the next few years. The management will continue to look for opportunities to secure more projects and sustain profitability in coming years.

Stable revenue derived from the Hong Kong market provides the Group with a solid base for developing the PRC market. During the period under review, the Group recorded revenue growth from the Mainland China market, attributable mainly to the contribution from water supply plants in Ningxiang and Qingyuan, the PRC. In May 2008, the Company announced the acquisition of a water treatment plant in Qingyuan City, Guangdong Province at a total investment sum of HK\$15,255,000 (equivalent to approximately RMB13 million). The Group hopes to apply its engineering and management expertise to reform and improve small

MANAGEMENT DISCUSSION AND ANALYSIS

and old water plants it acquired in the Mainland, and to improve their operational efficiency and productivity. The management believes that such moves are conducive to the long term growth of its business. During the review period, the Group has been in discussion with a number of potential targets on acquisition or business collaboration opportunities in Guangdong Province. In order to control investment risks and budgets, the Group will be targeting mainly smaller projects moving forward.

FINANCIAL REVIEW

Financial highlights

For the six months ended 30 September 2008, the Group recorded solid growth with turnover of HK\$387.4 million, representing an increase of 24.7% as compared with the same period last year. Gross profit was maintained at HK\$36.9 million (six months ended 30 September 2007: HK\$35.8 million). Profit attributable to shareholders was HK\$4.1 million (six months ended 30 September 2007: HK\$11.0 million). Basic earnings per share were approximately HK0.44 cents (six months ended 30 September 2007: HK1.34 cents).

Revenue

During the period under review, income generated from maintenance contracts amounted to HK\$292.9 million (six months ended 30 September 2007: HK\$284.6 million), accounting for approximately 75.6% of the Group's total turnover (six months ended 30 September 2007: 91.6%). The increase in total revenue was attributable mainly to the commencement of several capital contracts in Hong Kong and water supply business in Mainland China.

Gross Profit

The Group recorded gross profit of HK\$36.9 million, representing a slight increase of 3.1% from HK\$35.8 million in the same period last year. The Group will continue to explore material sourcing opportunities in the PRC and enhance procurement and administrative procedures in its bid to improve the overall margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

During the review period, the Group spent HK\$5.3 million on acquisition of properties, plants and equipment in Hong Kong and Mainland China. For the first half of FY2008/09, capital expenditure has been earmarked for acquisition of a water supply plant in Guangdong Province.

Operating Expenses

During the period under review, the Group's administrative expenses amounted to HK\$28.1 million (six months ended 30 September 2007: HK\$21.8 million). The amount mainly consisted of legal and professional fees, staff costs (including Directors' emoluments) and depreciation expenses. The increase in administrative expenses reflected an increase in staff cost and depreciation expenses as a result of continual growth in the Group's business.

Liquidity & Financial Resources

For the six months ended 30 September 2008, the Group's capital expenditure was approximately HK\$5.3 million. The amount was spent mainly on construction of pipeline in Mainland China. Cash and bank balance and pledged bank deposit decreased to HK\$90.1 million (31 March 2008: HK\$201.8 million), mainly because of settlement of ongoing and adhoc projects. Total borrowings reduced to HK\$204.2 million (31 March 2008: HK\$249.3 million) as a result of repayment of certain bank loans during the period. The group has maintained a healthy liquidity position with sufficient cash on hand and bank facilities.

Its current ratio, being the ratio of current assets to current liabilities, was maintained at strong level of 2.29 (31 March 2008: 2.24), and its gearing ratio, in terms of total liabilities to total assets, stood at 41% (31 March 2008: 43%).

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

As at 30 September 2008, the Group had approximately 550 employees (31 March 2008: 670 employees) and more than half of them were direct labour. Total staff costs, including Directors' emoluments, for the period under review amounted to HK\$51.7 million (six months ended 30 September 2007: HK\$42.4 million).

The Group remunerates its employees according to their job nature and market trends and awards discretionary bonus to employees based on its operating results and individual performance. The Group also provides in-house and external training programmes complementary to certain job functions. The Directors believe offering competitive remunerations and career development opportunities to employees will be effective in encouraging employees to seek personal development and contribute to the Group.

PROSPECTS

Recently, there is a growing urge in the Hong Kong society for the government to accelerate implementation of the 10 large-scale infrastructure projects, in which substantial water-related engineering services will be required. Furthermore, projects related to the government's Water-Mains Replacement and Rehabilitation Program will continue to roll out as water mains in relatively older communities continue to age. These phenomenon are likely to translate into bright prospects for the local waterworks sector. Ming Hing is one of only a few experienced companies operating water-related civil engineering business in Hong Kong. The Group will apply its expertise to grab business opportunities that will enable it to achieve sustainable growth in the Hong Kong market, while maintaining profitability and improving profit margins in the long run.

According to the PRC government's National Eleventh Five-Year Plan, a significant amount of financial resources will be directed towards environmental protection and water conservation. With the liberalization of the water market and promotion of water price reforms in the PRC, the management believes there would be increasing business opportunities for experienced and quality water service providers like Ming Hing.

MANAGEMENT DISCUSSION AND ANALYSIS

In October 2008, the Group announced the plan to dispose (the “**Disposal**”) of Ming Hing Waterworks Engineering (PRC) Limited, which holds the entire equity stake of Ming Hing Waterworks (Changsha) Company Limited (“**Ming Hing (Changsha)**”), to China Water Affairs Group Limited (“**China Water**”). Ming Hing (Changsha) is principally engaged in the provision of water supply services in the Ningxiang County, Changsha City, Hunan Province, the PRC. During the period under review, the local authorities of Ningxiang County are keen to see water infrastructure works taking off as soon as possible to make sure they are in pace with the massive development in the area. Taking into account the recent financial market downturn, the substantial investment amount involved in the project, and the usual lag between investment and its return, the Group sees the need to diversify its investment risks. After approaching all the potential buyers, China Water would acquire the entire equity stake, and in return, we will acquire the 128,000,000 ordinary shares held by China Water for cancellation upon the completion of the transaction. When the transactions are completed, China Water will cease to be the Group’s shareholder, but will remain a strategic partner to the Group in developing PRC water-related businesses. The resolutions were duly passed at an extraordinary general meeting held on 27 November 2008. The Disposal will alleviate the Group’s heavy capital commitment in such unstable market conditions. The management consider that the overall impact on the Disposal to be favourable to the Group (Details of the Disposal and the Share Repurchase are set out in the announcement and circular of the Company dated 13 October 2008 and 3 November 2008).

As the global credit crunch and economic downturn continues, these are inevitably challenging times for all industries and businesses. Looking forward, the management will continue to dedicate efforts in maintaining a healthy financial position. Together with the commencement of Hong Kong’s 10 large-scale infrastructural projects, and a general downward trend seen in raw material and labor costs, Ming Hing is optimistic about achieving healthy growth in the next few years. With a dedicated management team and comprehensive development roadmap, the Group will further enhance its overall effectiveness, service quality and competitiveness. It will strive to sustain business growth and achieve satisfactory returns for shareholders in the coming years.

OTHER INFORMATION

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

As at 30 September 2008, 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**”):

(a) Long position in the ordinary shares of HK\$0.05 each of the Company (the “Shares”)

<u>Name of Director</u>	<u>Notes</u>	<u>Capacity/ Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding in the Company</u>
Mr. YUEN Chow Ming	1	Interest of controlled corporation	453,888,000	48.86%
Mr. SO Yiu Cheung	2	Interest of controlled corporation	453,888,000	48.86%
Mr. YUEN Wai Keung	3	Personal	2,000,000	0.22%
		Interest of controlled corporation	453,888,000	48.86%
		Personal	5,704,000	0.61%

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.

OTHER INFORMATION**(b) Beneficial interests in the shares of associated corporations**

<u>Name of Director</u>	<u>Notes</u>	<u>Name of associated corporation</u>	<u>Number of shares held in the associated corporation</u>	<u>Approximate percentage of shareholding</u>
Mr. YUEN Chow Ming	1	Robinhoods	four	33.33%
		Able Promise	one	100%
Mr. SO Yiu Cheung	2	Robinhoods	four	33.33%
		Group Honour	one	100%
Mr. YUEN Wai Keung	3	Robinhoods	four	33.33%
		Foremost Time	one	100%

Notes:

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

OTHER INFORMATION

(c) Long position in the underlying Shares

Pursuant to the share option scheme adopted by the Company on 25 February 2006 (details are set out in note 16 to the financial statements), certain Directors were granted share options to subscribe for the Shares, details of share options outstanding and exercisable as at 30 September 2008 were as follows:

<u>Name of Director</u>	<u>Date of grant</u>	<u>Capacity</u>	<u>Number of underlying Shares comprised in the share options</u>	<u>Exercisable period</u>	<u>Exercise price per share</u>
Mr. YUEN Chow Ming	17 April 2007	Beneficial owner	200,000	17 April 2007 to 31 May 2009	HK\$0.975
Mr. SO Yiu Cheung	17 April 2007	Beneficial owner	200,000	17 April 2007 to 31 May 2009	HK\$0.975
Mr. YUEN Wai Keung	17 April 2007	Beneficial owner	200,000	17 April 2007 to 31 May 2009	HK\$0.975
Mr. SUN Bo Quan	17 April 2007	Beneficial owner	200,000	17 April 2007 to 31 May 2009	HK\$0.975
Professor LEUNG Yee Tak	17 April 2007	Beneficial owner	200,000	17 April 2007 to 31 May 2009	HK\$0.975
Mr. CHEUNG Chi Man, Dennis	17 April 2007	Beneficial owner	200,000	17 April 2007 to 31 May 2009	HK\$0.975

Save as disclosed above, as at 30 September 2008, 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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' Interests in Shares and Underlying Shares of the Company and its Associated Corporations" above and note 16 to the financial statements, at no time during the period under review were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2008, 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	48.86%
Able Promise	Interest of controlled corporation	453,888,000	48.86%
Group Honour	Interest of controlled corporation	453,888,000	48.86%
Foremost Time	Interest of controlled corporation	453,888,000	48.86%
Oceanup	Beneficial owner	128,000,000	13.78%
China Water (Note)	Interest of a controlled corporation	128,000,000	13.78%

OTHER INFORMATION

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

Save as disclosed above, on 30 September 2008, no other interest or short positions in the Shares and underlying Shares were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors has any competing interests in any business or has any interest in any business that may constitute direct or indirect competition with the Group.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 16 to the financial statements.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period under review, the Company has repurchased Shares on the Stock Exchange as follows:

Date	Number of Shares repurchased	Highest purchase price per Share	Lowest purchase price per Share	Total price
		HK\$	HK\$	
10 April 2008	200,000	0.470	0.465	93,500
11 April 2008	200,000	0.480	0.480	96,000
14 April 2008	200,000	0.475	0.475	95,000
15 April 2008	200,000	0.440	0.440	88,000
16 April 2008	200,000	0.445	0.445	89,000
17 April 2008	200,000	0.465	0.465	93,000
18 April 2008	200,000	0.465	0.465	93,000
21 April 2008	200,000	0.460	0.460	92,000
22 April 2008	200,000	0.465	0.465	93,000
	<u>1,800,000</u>	–	–	<u>832,500</u>

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 Shares and related expenses, in the amount of HK\$750,000, was charged to the share premium account.

The repurchase of 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 23 August 2007, with a view to benefiting shareholders as a whole by enhancing the net asset value per Share and earnings per Share of the Group.

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 2008.

OTHER INFORMATION

CORPORATE GOVERNANCE

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 2008.

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 enquires 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 2008.

OTHER INFORMATION

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the “**Audit Committee**”) comprises four independent non-executive Directors, namely Mr. WONG Lap Shek (as chairman of the Audit Committee), Ms. CHUNG Lai Kwok, Elaine, Mr. CHENG Ka Ming, Martin 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 2008 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, 18 December 2008

CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 30 September 2008*

	Notes	Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	3	387,355	310,605
Cost of revenue		(350,436)	(274,757)
Gross profit		36,919	35,848
Other income and gains	3	1,715	2,355
Selling and distribution expenses		(1,822)	–
Administrative expenses		(28,087)	(21,795)
Operating profit	5	8,725	16,408
Finance costs	6	(3,913)	(3,151)
Profit before income tax		4,812	13,257
Income tax expense	7	(734)	(2,297)
Profit for the period		4,078	10,960
Attributable to:			
Equity holders of the Company		4,078	10,960
Minority interests		–	–
		4,078	10,960
Dividends	8	–	–
		HK cents	HK cents
Earnings per share	9		
– Basic		0.44	1.34
– Diluted		N/A	1.31

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2008*

		At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	118,005	107,126
Prepaid land lease payments		22,443	22,071
Retention receivables		10,309	6,157
Pledged bank deposit		5,000	5,000
Prepayment for investments		6,841	6,841
		162,598	147,195
Current assets			
Inventories		441	68
Amounts due from customers of contract works		442,236	393,966
Trade and other receivables	11	50,929	35,266
Pledged bank deposits		33,661	23,936
Cash and cash equivalents		51,430	172,884
		578,697	626,120
Current liabilities			
Amounts due to customers of contract works		–	3,707
Trade and other payables	12	84,719	65,053
Borrowings	13	168,209	209,803
Provision for tax		–	680
		252,928	279,243

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2008*

		At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
	Notes		
Net current assets		325,769	346,877
Total assets less current liabilities		488,367	494,072
Non-current liabilities			
Other payables		13,581	13,724
Borrowings	13	36,017	39,467
Deferred tax		3,384	3,043
		52,982	56,234
Net assets		435,385	437,838
EQUITY			
Share capital	14	46,449	46,539
Proposed final dividend		–	7,432
Reserves		388,515	383,867
Equity attributable to equity holders of the Company		434,964	437,838
Minority interests		421	–
Total equity		435,385	437,838

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2008*

	Equity attributable to equity holders of the Company										
	Share capital	Share premium*	Merger reserve*	Share option reserve*	Capital redemption reserve*	Translation reserve*	Retained profits*	Proposed final dividend	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)											
At 1 April 2007	32,000	12,010	13,805	3,282	-	-	89,229	10,426	160,752	-	160,752
Profit for the period	-	-	-	-	-	-	10,960	-	10,960	-	10,960
2007 final dividend paid	-	-	-	-	-	-	-	(10,448)	(10,448)	-	(10,448)
Adjustment for 2007 final dividend	-	-	-	-	-	-	(22)	22	-	-	-
Recognition of share-based compensation	-	-	-	3,204	-	-	-	-	3,204	-	3,204
Shares issued upon exercise of share options	1,878	20,094	-	(3,517)	-	-	-	-	18,455	-	18,455
Issue of new shares	12,800	234,240	-	-	-	-	-	-	247,040	-	247,040
Share issue expenses	-	(9,552)	-	-	-	-	-	-	(9,552)	-	(9,552)
Repurchase of shares	(34)	(675)	-	-	34	-	(34)	-	(709)	-	(709)
At 30 September 2007	46,644	256,117	13,805	2,969	34	-	100,133	-	419,702	-	419,702
(Unaudited)											
At 1 April 2008	46,539	255,396	13,805	5,025	139	2,893	106,609	7,432	437,838	-	437,838
Profit for the period	-	-	-	-	-	-	4,078	-	4,078	-	4,078
Exchange difference arising on translation of foreign operation	-	-	-	-	-	1,122	-	-	1,122	-	1,122
Total recognised income and expense for the period	-	-	-	-	-	1,122	4,078	-	5,200	-	5,200
Acquisition of interests in a subsidiary (note 15)	-	-	-	-	-	-	-	-	-	421	421
2008 final dividend paid	-	-	-	-	-	-	-	(7,432)	(7,432)	-	(7,432)
Recognition of share-based compensation (note 16)	-	-	-	198	-	-	-	-	198	-	198
Share options forfeited (note 16)	-	-	-	(66)	-	-	66	-	-	-	-
Repurchase of shares (note 14)	(90)	(750)	-	-	90	-	(90)	-	(840)	-	(840)
At 30 September 2008	46,449	254,646	13,805	5,157	229	4,015	110,663	-	434,964	421	435,385

* The total of these balances represents reserves in the condensed consolidation balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2008*

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(53,036)	(48,303)
Net cash used in investing activities	(5,340)	(39,731)
Net cash (used in)/generated from financing activities	(63,071)	212,051
Net (decrease)/increase in cash and cash equivalents	(121,447)	124,017
Cash and cash equivalents at beginning of the period	172,884	11,461
Effect of foreign exchange rate changes, on cash held	(7)	–
Cash and cash equivalents at end of the period	51,430	135,478
Analysis of cash and cash equivalents		
Cash at banks and in hand	51,430	135,478

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

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 (collectively, 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, as well as the provision of water supply services in Mainland China.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2008 (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 (“**HKICPA**”) and with 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 and disclosure required in the annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2008.

The Interim Financial Statements are unaudited, but have been reviewed by the Company’s Audit Committee. The Interim Financial Statements were approved for issue by the board of directors on 18 December 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***2. PRINCIPAL ACCOUNTING POLICIES**

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

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 2008 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.

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

The Group has adopted, for the first time, all the new and revised HKFRSs which are effective for accounting periods beginning on or after 1 April 2008. The adoption of these 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.

2.2 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 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets ³
HKAS 1, HKAS 32, HKAS 39 and HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009

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

⁴ Effective for annual periods beginning on or after 1 October 2008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***2. PRINCIPAL ACCOUNTING POLICIES (Continued)****2.2 Impact of new and revised HKFRSs which are issued but not yet effective**
(Continued)

The impact arising from HKAS 1 (Revised) and HKFRS 3 (Revised) are discussed in the Group's annual financial statements for the year ended 31 March 2008.

The Directors of the Company is in the process of assessing the impact of the other new and revised HKFRSs and are not yet in a position to state whether they would have material impact on the Group's financial statements.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 September 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue		
Contract revenue from maintenance and construction works on civil engineering contracts	366,994	310,605
Revenue from water supply services	13,098	–
Water supply related installation fee	7,263	–
	387,355	310,605
Other income and gains		
Bank interest income	488	2,348
Excess over the cost of business combination (note 15)	945	–
Sundry income	282	7
	1,715	2,355
Total Income	389,070	312,960

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***4. SEGMENT INFORMATION****Business segments**

The Group's primary format for reporting segment information is business segments. An analysis of the Group's revenue and results for the period by business segments is as follows:

	Waterworks engineering contracting business		Water supply business		Consolidated	
	Six months ended 30 September					
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
REVENUE AND RESULTS						
Segment revenue	366,994	310,605	20,361	–	387,355	310,605
Segment results	9,127	18,293	3,441	–	12,568	18,293
Corporate and other unallocated income and expenses					(3,843)	(1,885)
					8,725	16,408
Finance costs					(3,913)	(3,151)
Profit before income tax					4,812	13,257
Income tax expenses					(734)	(2,297)
Profit for the period					4,078	10,960

Geographical segments

The Group determines geographical segments as its secondary reporting format. An analysis of the Group's revenue for the period by geographical markets is as follows:

	Hong Kong		Mainland China		Consolidated	
	Six months ended 30 September					
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Segment revenue	366,994	310,605	20,361	–	387,355	310,605

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***5. OPERATING PROFIT**

	Six months ended 30 September 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Operating profit is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments	238	–
Depreciation of property, plant and equipment		
– owned assets	4,626	2,473
– leased assets	939	1,199
	5,565	3,672
Staff costs (including directors' emoluments)		
– salaries, allowance and benefits in kind	49,578	39,787
– retirement benefits scheme contributions	1,932	1,590
– equity-settled share-based compensation (note 16)	153	1,001
	51,663	42,378
Operating lease charges		
– land and buildings	756	517
– plant and machinery	5,197	4,049
	5,953	4,566
(Gain)/Loss on disposal of property, plant and equipment	(337)	184

6. FINANCE COSTS

	Six months ended 30 September 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest charges on:		
Bank loans wholly repayable within five years	3,484	2,840
Interest element of finance lease payments	110	311
Other borrowings repayable within five years	319	–
	3,913	3,151

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***7. INCOME TAX EXPENSE**

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2007: 17.5%) of the estimated assessable profit for the period.

	Six months ended 30 September 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current tax for the period		
– Hong Kong profits tax	908	2,321
Deferred tax	(174)	(24)
Income tax expense	734	2,297

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 HK0.80 cents per share, amounted to HK\$7,432,000, was paid to shareholders as the final dividend for the year ended 31 March 2008.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to the equity holders of the Company of HK\$4,078,000 (six months ended 30 September 2007: HK\$10,960,000) and the weighted average number of ordinary shares in issue during the period of 30 September 2008 of 929,137,000 (six months ended 30 September 2007: 816,791,000).

The share options granted by the Company as disclosed in note 16 which are outstanding at the period end could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2008, the Group incurred capital expenditure of approximately HK\$949,000 (six months ended 30 September 2007: HK\$1,502,000) in furniture, fixtures and equipment, approximately HK\$36,000 (six months ended 30 September 2007: HK\$640,000) in leasehold improvements, approximately HK\$450,000 (six months ended 30 September 2007: HK\$2,601,000) in motor vehicles, approximately HK\$269,000 (six months ended 30 September 2007: HK\$764,000) in machinery and tools and approximately HK\$3,594,000 (six months ended 30 September 2007: nil) in respect of the construction work in progress. Apart from these, the Group acquired property, plant and equipment amounting to HK\$9,758,000 through business combination as detailed in note 15.

No significant disposal of property, plant and equipment was made during the period.

11. TRADE AND OTHER RECEIVABLES

	At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
Trade receivables	17,230	7,956
Retention receivables	13,302	8,793
Prepaid land lease payments	480	470
Prepayments and deposits	7,105	8,410
Other receivables	23,121	15,794
	61,238	41,423
Less: Retention receivables included under non-current assets	(10,309)	(6,157)
	50,929	35,266

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***11. TRADE AND OTHER RECEIVABLES (Continued)**

The ageing analysis of trade receivables (based on invoice date) as at the balance sheet date is as follows:

	At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
Within 3 months	16,273	7,658
4 to 6 months	356	140
7 to 9 months	128	90
10 to 12 months	117	17
Over 1 year	356	51
	17,230	7,956

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

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 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
Trade payables		
Within 3 months	33,104	30,823
4 to 6 months	7,805	4,024
7 to 9 months	693	175
10 to 12 months	135	103
Over 1 year	2,674	2,862
	44,411	37,987
Retention payables	–	33
Other payables and accruals	40,308	27,033
	84,719	65,053

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***13. BORROWINGS**

	At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
Current		
Bank loans, secured (note (a))	158,222	197,649
Other loans, unsecured	5,742	7,466
Finance lease liabilities (note (b))	4,245	4,688
	168,209	209,803
Non-current		
Bank loans, secured (note (a))	30,300	31,649
Other loans, unsecured	5,420	5,491
Finance lease liabilities (note (b))	297	2,327
	36,017	39,467
Total borrowings	204,226	249,270
Analysed into:		
Bank loans repayable		
Within one year	158,222	197,649
In the second year	20,667	20,550
In the third to fifth years, inclusive	9,633	11,099
	188,522	229,298
Other borrowings repayable		
Within one year	9,987	12,154
In the second year	881	2,786
In the third to fifth years, inclusive	2,029	2,100
Beyond five years	2,807	2,932
	15,704	19,972
	204,226	249,270

The carrying amount of banks and other borrowings approximates their fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***13. BORROWINGS** (Continued)

Notes:

- (a) Bank loans are secured by the followings:
- (i) Bank loans amounting to HK\$167,555,000 (At 31 March 2008: HK\$207,099,000) are secured by the corporate guarantees issued by the Company and of which HK\$157,555,000 (At 31 March 2008: HK\$197,099,000) are secured by charges over bank deposits amounting to HK\$38,661,000 (At 31 March 2008: HK\$28,936,000). Apart from this, bank loans amounting to HK\$56,536,000 (At 31 March 2008: HK\$114,402,000) is secured by the proceeds on civil engineering contracts.
- (ii) The remaining amount of bank loans amounting to RMB18,500,000 (At 31 March 2008: RMB20,000,000), equivalent to approximately HK\$20,967,000 (At 31 March 2008: HK\$22,199,000), is secured by the pledge of income generated from the water supply business.
- (b) The Group leases certain of its motor vehicles and machinery and these leases are classified as finance leases having remaining lease terms ranging from one to two years. As at 30 September 2008, the total future minimum lease payments under finance leases and their present value were as follows:

	At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
Total minimum lease payments		
Due within one year	4,355	4,885
Due in the second year	304	2,249
Due in the third to fifth years, inclusive	–	115
	4,659	7,249
Less: future finance charges on finance leases	(117)	(234)
Present value of finance lease liabilities	4,542	7,015
Present value of financial lease liabilities		
Due within one year	4,245	4,688
Due in the second year	297	2,214
Due in the third to fifth years, inclusive	–	113
	4,542	7,015
Less: portion due within one year included under current liabilities	(4,245)	(4,688)
Non-current portion included under non-current liabilities	297	2,327

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***13. BORROWINGS** (Continued)

- (c) As at 30 September 2008, borrowings denominated in RMB amounted to HK\$32,128,000 (At 31 March 2008: HK\$35,156,000) and the remaining balance of borrowings amounting to HK\$172,098,000 (At 31 March 2008: HK\$214,114,000) are denominated in HK\$.
- (d) Other information about the borrowings:

	Effective interest rate per annum at period/year end					
	At 30 September 2008			At 31 March 2008		
	Original currency	Floating rate	Fixed rate	Original currency	Floating rate	Fixed rate
Bank loans	HK\$	2.85% – 6.00%	–	HK\$	2.48% – 3.86%	–
Bank loans	RMB	8.61% – 9.40%	–	RMB	8.61% – 9.40%	–
Other loans	RMB	– 1.25% – 8.40%		RMB	– 1.25% – 8.40%	
Finance lease liabilities	HK\$	4.07%	3.25%	HK\$	3.20%	3.25%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***14. SHARE CAPITAL**

	At 30 September 2008 (Unaudited)			At 31 March 2008 (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	0.05	2,000,000,000	100,000	0.1	1,000,000,000	100,000
Subdivision of shares		-	-		1,000,000,000	-
Balance at end of the period/year	0.05	2,000,000,000	100,000	0.05	2,000,000,000	100,000
Issued and fully paid						
Balance at beginning of the period/year	0.05	930,780,000	46,539	0.1	320,000,000	32,000
Shares issued upon exercise of share options	-	-	-	0.1	15,380,000	1,538
Issue of new shares	-	-	-	0.1	64,000,000	6,400
Subdivision of shares		-	-		399,380,000	-
	0.05	930,780,000	46,539	0.05	798,760,000	39,938
Shares issued upon exercise of share options	-	-	-	0.05	6,800,000	340
Issue of new shares	-	-	-	0.05	128,000,000	6,400
Repurchase of shares (note)	0.05	(1,800,000)	(90)	0.05	(2,780,000)	(139)
Balance at end of the period/year	0.05	928,980,000	46,449	0.05	930,780,000	46,539

Note:

During April 2008, the Company purchased 1,800,000 of its own shares on the Stock Exchange at a consideration of approximately HK\$832,500. As a result of the share repurchase, an amount equivalent to the par value of the shares repurchased of HK\$90,000 was transferred from retained profits to the capital redemption reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***15. BUSINESS COMBINATION**

On 29 April 2008, the Group entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with an independent third party (the “**Vendor**”) under which the Group agreed to buy and the Vendor agreed to sell 83.33% equity interest in a PRC entity, 清新縣飛來峽發興自來水有限公司 (“清新縣飛來峽發興自來水”), at the consideration of RMB500, 000 (equivalent to approximately HK\$570,000) which is to be satisfied by way of cash (the “**Acquisition**”). 清新縣飛來峽發興自來水 is principally engaged in provision of water supply services in certain areas of Qingxin County, Qingyuan City, Guangdong Province, the People’s Republic of China (the “**PRC**”). Further details about the Acquisition were set out in the announcement of the Company dated 14 May 2008.

The fair value of the identifiable assets and liabilities of 清新縣飛來峽發興自來水 as at the date of Acquisition and the corresponding carrying amounts immediately before the Acquisition are as follows:

	Carrying amount on date of Acquisition	Fair value adjustments	Fair value on date of Acquisition
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	7,740	2,018	9,758
Prepaid land lease payments	108	40	148
Other receivables	5	–	5
Bank balances and cash	19	–	19
Other payables	(7,347)	–	(7,347)
Tax payables	(109)	–	(109)
Deferred tax	–	(514)	(514)
Total assets and liabilities	416	1,544	1,960
Fair value of identifiable assets and liabilities acquired -83.33%			1,632
Excess over the cost of business combination (note 3)			(945)
Total consideration			687
The consideration is satisfied by:			
Cash			687
An analysis of the net cash outflow arising on the business combination is as follows:			
Cash consideration			687
Bank balances and cash acquired			(19)
			668

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***15. BUSINESS COMBINATION (Continued)**

Revenue and net loss generated from 清新縣飛來峽發興自來水 after the Acquisition and up to 30 September 2008 amounted to HK\$109,000 and HK\$112,000 respectively. Had the Acquisition been taken place on 1 April 2008, the revenue and net profit of the Group for the period ended 30 September 2008 would have been HK\$387,467,000 and HK\$3,905,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 April 2008, nor are they intended to be a projection of future results.

16. SHARE-BASED COMPENSATION

The movement of the share options granted by the Company during the current interim period are as follows:

2008			Number of share options				At
Grantees	Options grant date	Exercise price per share HK\$	At 1 April 2008 '000	Granted '000	Exercised '000	Forfeited '000	30 September 2008 '000
Directors	17 April 2007	0.975	1,200	-	-	-	1,200
Employees	4 April 2007	0.600	1,700	-	-	-	1,700
	17 April 2007	0.975	300	-	-	-	300
	17 May 2007	1.420	440	-	-	(40)	400
	5 October 2007	0.812	3,800	-	-	(350)	3,450
			6,240	-	-	(390)	5,850
Suppliers of services or goods	26 March 2007	0.445	9,000	-	-	-	9,000
	4 April 2007	0.600	13,400	-	-	-	13,400
	5 October 2007	0.812	8,750	-	-	(250)	8,500
			31,150	-	-	(250)	30,900
Total			38,590	-	-	(640)	37,950
Weighted average exercise price (HK\$ per share)			0.657	-	-	0.850	0.654

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***16. SHARE-BASED COMPENSATION (Continued)**

2007	Options grant date	Exercise price per share HK\$	Number of share options				At 30 September 2007 '000
			At 1 April 2007 '000	Granted '000	Exercised '000	Forfeited '000	
Directors	17 April 2007	0.975	-	1,400	-	-	1,400
Employees	4 April 2007	0.600	-	3,100	(1,400)	-	1,700
	17 April 2007	0.975	-	1,000	(700)	-	300
	17 May 2007	1.420	-	900	(260)	-	640
			-	5,000	(2,360)	-	2,640
Suppliers of services or goods	26 March 2007	0.445	38,400	-	(29,400)	-	9,000
	4 April 2007	0.600	-	19,200	(5,800)	-	13,400
			38,400	19,200	(35,200)	-	22,400
Total			38,400	25,600	(37,560)	-	26,440
Weighted average exercise price (HK\$ per share)			0.445	0.664	0.491	-	0.591

Share-based compensation for the current interim period amounting to HK\$198,000 is incurred in respect of certain share options granted on 5 October 2007 which became vested during the period. The amount of share-based compensation arising from the share options granted to employees is HK\$153,000 whereas those arising from the share options granted to consultants is HK\$45,000. The entire amount of share-based compensation is recognised as administrative expenses. The corresponding amount of HK\$198,000 is credited to the share option reserve.

During the current interim period, 640,000 share options which were granted to consultants and employees were forfeited and corresponding share option expenses of HK\$66,000 was transferred from share option reserve to retained profits.

The number of outstanding share options which are exercisable as at 30 September 2008 was 35,925,000 (six months ended 30 September 2007: 26,440,000) which represent approximate 3.87% (six months ended 30 September 2007: 2.83%) of the Company's shares in issue on that date. The exercise in full of these share options would result in the issue of 35,925,000 additional ordinary shares of the Company including additional share capital of HK\$1,796,000 and share premium of HK\$21,358,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***17. COMMITMENTS**

The Group had the following significant commitments as of 30 September 2008:

- (a) As at 30 September 2008, the Group had contracted to purchase an interest in a leasehold land in the PRC at a price of RMB2,040,000, equivalent to approximately HK\$2,312,000 (31 March 2008: RMB2,040,000, equivalent to approximately HK\$2,264,000) of which RMB1,600,000, equivalent to approximately HK\$1,813,000 (31 March 2008: RMB1,000,000, equivalent to approximately HK\$1,110,000) was paid as deposit.
- (b) As at 30 September 2008, the future aggregate minimum lease rental payable under non-cancellable operating leases in respect of land and buildings was as follows:

	At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
Within one year	1,303	1,289
In the second to fifth years, inclusive	1,489	2,091
	2,792	3,380

The Group leases certain properties under the operating lease. The leases run for an initial period between half a year to three years, with an option to renew the leases and renegotiate the terms at the expiry date. The leases do not include any contingent rentals.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

18. CONTINGENT LIABILITIES AND LITIGATIONS

As at 30 September 2008, 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 this report. Claim amounts are not specified in the applications of these lawsuits and claims. In the opinion of 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 a material adverse impact on the financial position of the Group.

In addition, 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 in aggregate. The claims are not yet settled as at the date of these financial statements. However, as assessed by the Directors, the claims will unlikely result in any material financial impact on the Group.

19. POST BALANCE SHEET EVENT

On 18 September 2008, the Group entered into an agreement with China Water Affairs Group Limited ("**China Water**"), for the disposal of entire issued capital of its wholly-owned subsidiary, Ming Hing Waterworks Engineering (PRC) Limited ("**MH PRC**"), and to assign to China Water all obligations, liabilities and debts owing or incurred by MH PRC to the Group (the "**Disposal**"). The consideration for the Disposal is to be offset against the consideration for the repurchase of 128,000,000 shares of the Company beneficially held by China Water (the "**Shares Repurchase**"). The shares to be repurchased by the Company were subscribed by China Water in June 2007 at the subscription price of HK\$0.42 per share, giving rise to a total consideration for the subscription of HK\$53,760,000. The Disposal and the Shares Repurchase shall be completed simultaneously and the completion of the transactions is subject certain conditions precedent to the agreement including to obtain consent from the Ningxiang Construction Bureau. Up to the date of the reports, not all the conditions, including obtaining consent from Ningxiang Construction Bureau, are fulfilled. However, management expects that the transactions can be completed by 31 December 2008. Further details about the transactions are set out in the circular to the shareholders of the Company dated 3 November 2008

MH PRC and its wholly-owned PRC subsidiary, Ming Hing Waterworks (Changsha) Company Limited, are principally engaged in the provision of water supply services in the Ningxiang County, Changsha City, Hunan Province, the PRC and are presented under the business segment of "water supply business".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***20. 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental expenses for office premises paid to Grand Media Limited	492	492

The directors of the Company, Mr. Yuen Chow Ming, Mr. Yuen Wai Keung and Mr. So Yiu Cheung, 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	3,569	3,462
Equity-settled share option expenses	153	–
Post-employment benefits	65	48
	3,787	3,510