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TIDM H2O
Headline Interim Management Statement
Released 07:00 12-May-2011
Number 3744G07

RNS Number : 3744G
 Aqua Resources Fund Limited
 12 May 2011

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Aqua Resources Fund Limited - Interim Management Statement

Aqua Resources Fund Limited ("Aqua" or the "Company"), the Authorised closed-ended investment scheme managed by FourWinds Capital Management ("FWCM" or the "Manager") established to invest in global water opportunities, today issues its Interim Management Statement for the period from 1 January 2011 to 10 May 2011 (the "Period").

Financial position and performance

The Company manages a diversified portfolio of water-related investments. The latest published audited net asset value ("NAV") per ordinary share of the Company ("Ordinary Share") at 31 December 2010 was EUR1.1252, corresponding to a NAV of EUR81.5 million at the Company level.

	31 March 2011 (EUR)	31 December 2010 (EUR)	% change
NAV per Ordinary Share	1.1174 (unaudited)	1.1252 (audited)	-0.7%
Closing middle market share price (London Stock Exchange)	0.54	0.64	-15.6%

As at 31 March 2011, Aqua's estimated unaudited NAV per Ordinary Share was EUR1.1174, down by 69 basis points ("bp") from the 31 December 2010 NAV per Ordinary Share. This decrease resulted from:

- operating expenses including management fee;
- a decrease of approximately 1.7% in the share price of one of Aqua's portfolio companies, China Hydroelectric Corporation ("CHC"), impacting the NAV by approximately 21bp; and
- minor currency movements.

The Manager does not revalue investments during the course of the year. As a consequence, during the year, the NAV is only subject to the effects of changes in operating expenses, foreign exchange rates and fluctuations in the CHC stock price.

At 10 May 2011, Aqua's share price closed at EURO.58.

At 10 May 2011, the Company had invested approximately 92.6% of its net assets and committed approximately 95% of its net assets. The balance is held in cash, with no gearing.

Material events during the Period

During the Period, the Company increased its investment in one of its existing portfolio companies.

In January 2011, the Company announced that its wholly owned subsidiary, Aqua Resources Asia Holdings Limited ("ARAHL"), had agreed to invest a further US\$2,325,000 via a subscription for new shares to be issued by Ranhill Water Technology (Cayman) Limited ("RWT") the international joint venture established in March 2009 by the Company and Ranhill Berhard and its affiliates (the "Ranhill Group"). The additional investment was made in two equal instalments of US\$1,162,500 each (on 11 January and 16 February 2011 respectively).

Following this investment, the shareholdings of both the Ranhill Group and ARAHL were increased slightly as a result of subscribing for their respective share entitlements as existing shareholders and for additional shares in respect of the entitlement of RWT's minority shareholders, which were not taken up by those minority shareholders. ARAHL's shareholding interest in RWT increased to 45.2% from 45%, while the Ranhill Group increased its shareholding interest in RWT to 52.1% from 51.8% after investing US\$2,675,000. The proceeds of these additional subscriptions will be used by RWT to undertake investments in two large wastewater treatment operations in mainland China, in regions which experience severe shortages of fresh water supplies, impacting potential economic growth and making this a critical project to government and commerce.

The Company also committed to invest a further US\$2,250,000 in RWT, subject to the Ranhill Group subscribing alongside it to maintain its current shareholding ratio at 52.1%. The Company's commitment is valid until 16 February 2012. The purpose of this additional commitment is to finance the next stage of RWT's growth and to fund specific projects in the pipeline which are targeted for calendar years 2011 and 2012.

Update on CHC share price

Aqua owns 1,980,537 American Depositary Shares ("ADS") of CHC. On 30 March 2011, CHC announced its audited consolidated earnings results for the full year ended 31 December 2010. For the twelve months ending on 31 December 2010, CHC reported unaudited revenues of US\$66.7 million and EBITDA of US\$42.8 million, which represent an increase of 84% and 88% respectively above the corresponding period in 2009. During that period, CHC reported a GAAP net loss of US\$12.1 million which included non-cash charges of (i) US\$3.6 million in cumulative preferred dividends and (ii) US\$12.3 million resulting from the beneficial conversion features triggered by the conversion of the convertible redeemable preferred shares into common shares which occurred upon the consummation of CHC's initial public offering in the first quarter of 2010.

CHC's first quarter results are not yet released.

The Manager continues to believe CHC represents a unique growth opportunity given the Chinese power supply shortage issues, especially coupled with the Chinese government's continued support to move towards renewable energy resources as per the 12th Five-Year plan released in January 2011. Furthermore, some regions in China may benefit from an alignment in electricity prices, smoothing the discrepancy between the prices paid for coal and hydro generated electricity. Any such movement towards a single price model would benefit CHC's earnings profile (as it would be highly unlikely that tariffs would move lower given the cost pressures Chinese coal-fired generators are experiencing).

CHC's share price traded in a range of US\$5.87 (25 April 2011) and US\$7.67 (3 March 2011) during the Period. CHC share price closed at US\$7.26 on 31 March 2011 which had a negative impact on Aqua's NAV for the quarter ended 31 March 2011 of 21bp. CHC share price closed at US\$6.02 on 10 May 2011.

Investment update

Aqua has built a strong and diversified water portfolio by way of investments involving the supply, use and treatment of what is an increasingly scarce, absolutely essential, resource. It continues to actively manage its portfolio of investee companies, which now account for 92.2% of its net assets (with a further 2.8% of net assets committed to investments).

Aqua has built its portfolio through providing growth capital to operators of projects in water and waste water as well as hydroelectricity, and to equipment and innovation providers whose products and services seek to ensure that the broader water industry increases its efficiency and provides end-users, whether individuals or industrials, with cleaner and better quality water without dramatic increases in cost. By investing across this water value chain, Aqua has been able to diversify the risk across a very broad range of industries and geographies whilst maintaining a fundamental link to the core driver behind its investments.

As at 10 May 2011, the Company held investments in a total of five companies with operations in the United Kingdom, Continental Europe, China, Thailand, South Korea, Malaysia, North Africa, South Africa and the Middle East, as well as in the United States and Mexico, providing an attractive underlying geographic diversification.

At 10 May 2011, the Company held the following investments:

China Hydroelectric Corporation

CHC is a growing owner, operator and consolidator of small hydroelectric power projects in the People's Republic of China ("PRC"), and is the largest independent small electric power producer. Installed capacity has grown from 58 Mega Watt ("MW") in 2007, to 271 MW in 2008, to 376.6 MW in 2009 and to 548.8 MW in 2010. CHC operates 26 generating stations throughout four provinces in the PRC (Yunnan, Sichuan, Zhejiang and Fujian). CHC was founded in 2006 and its headquarters are in Beijing. As at 31 March 2011, CHC had a market capitalisation of approximately US\$370 million. The Company owns approximately 4% of CHC's ordinary shares. At 31 December 2010, CHC represented 13.4% of NAV.

Ranhill Water Technology (Cayman) Limited

RWT is the international joint venture established in March 2009 by the Company and the Ranhill Group to invest in water and wastewater operations in the PRC and Thailand. RWT owns and operates five water and waste water concessions in the PRC. Amongst them are the Yichun potable water treatment plant and the Xiao Lan wastewater treatment plant, both located in the fast growing Jiangxi Province. Furthermore, RWT currently owns and operates two plants on a long-term contract basis in Thailand. The Company owns 45.2% of RWT. At 31 December 2010, RWT represented 29.1% of NAV.

Waterleau Group N.V. ("Waterleau")

Waterleau is a privately held global environmental technology, solutions and services company. It provides a wide range of water, wastewater and solid waste and air treatment solutions for both industrial and municipal clients. Waterleau applies these technologies to purify wastewater and produce renewable energy from wastewater and bio-waste. Incorporated in 2000, Waterleau had a turnover in excess of EUR60 million in 2010 (unaudited), with over 10% EBITDA margin (unaudited). It has been profitable for five consecutive years and has been growing at double digit rates since inception. It currently employs approximately 250 people across offices in Belgium, France, Morocco, Egypt, India, China, Turkey and Brazil. In 2009, Waterleau was awarded two major high capacity wastewater Build & Operate projects in Marrakech and Fez, Morocco. The Company owns 28.6% of Waterleau. At 31 December 2010, Waterleau represented 28.2% of NAV.

Bluewater Bio International ("BBI")

BBI is a privately held technology provider which has a proprietary technology called HYBACS (Hybrid Bacillus Activated Sludge) process. HYBACS is increasingly regarded by a growing number of companies both in Europe and in the Middle East to be commercially superior to many existing treatment processes worldwide, across a wide range of treatment requirements. BBI provides a cost effective, advanced biological solution for the treatment of wastewater. BBI is involved at all stages of the process from plant design and cost through to installation, commissioning, employee training and on-going operation and maintenance. The Company owns approximately 17% of BBI and holds some senior secured

debt. At 31 December 2010, BBI represented 14.4% of NAV.

In-Pipe Technology, Inc. ("In-Pipe")

In-Pipe is a privately held technology provider which has a patented biological process that treats wastewater upstream within the underground sewer system. It presents an innovative alternative to traditional solutions which treat wastewater upon arrival at the treatment plant, leading to substantial cost savings by means of reduction of aeration energy required, sludge output and infrastructure corrosion. In-Pipe operates in the United States, Mexico, Canada and Spain. The Company owns 26% of In-Pipe on a fully diluted basis. At 31 December 2010, In-Pipe represented 4.9% of NAV.

Further enquiries

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Important information

This Interim Management Statement has been produced solely to provide additional information to shareholders of the Company to meet the relevant requirements of the U.K. Listing Authority's Disclosure and Transparency Rules. It should not be relied upon by any other party for any other purpose. The information in this statement has not been audited.

The information related to the Company included in this statement is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase shares in the Company. This material is not intended to provide a sufficient basis on which to make an investment decision. All investments are subject to risk. An investment in the Company should be regarded as long term in nature and is suitable only for sophisticated investors, investment professionals, high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts, in each case, who can bear the economic risk of a substantial or entire loss of their investment. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

The Company is a Guernsey domiciled Authorised Closed-ended investment scheme pursuant to section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and rule 6.02 of the Authorised closed-ended Investment Schemes Rules 2008.

Fundamentals

Listing date: 24 July 2008

Ordinary shares outstanding: 72,464,340

Latest audited NAV per Ordinary Share (31 December 2010): EUR1.1252

Latest estimated unaudited NAV per Ordinary Share (31 March 2011): EUR1.1174

Number of investments/continents: 5/3

Total invested and committed (31 December 2010): 92.2% and 95% of net assets

Investment objective

The Company's investment objective is to provide long term capital appreciation through exposure to a diversified portfolio of water-related investments.

The Company will invest principally in businesses that are involved in (i) Water Treatment and Recycling (i.e. waste-water and recycling, water treatment and purification); (ii) Water Infrastructure (i.e. water distribution); or (iii) Water Application and Conversion (water- to-energy and desalination) with the objective of capturing the growth opportunities emerging from the attractive long-term tailwinds driving the water industry.

End.

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