Company	Aqua Resources Fund Limited
TIDM	H2O
Headline	Half Yearly Report
Released	07:00 30-Aug-2012
Number	0317L07

RNS Number : 0317L
Aqua Resources Fund Limited
30 August 2012

AQUA RESOURCES FUND LIMITED

UNAUDITED RESULTS FOR THE PERIOD ENDED 30 JUNE 2012

30 August 2012

Aqua Resources Fund Limited (the "Company"), the Authorised Closed-ended investment scheme managed by FourWinds Capital Management (the "Manager") and established to invest in global water opportunities, today issues its unaudited results for the period ended 30 June 2012.

RESULTS AND ACTIVITIES OF THE COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2012

- At 30 June 2012, the Company had invested approximately 92 per cent. of its net assets.

- At 30 June 2012, the unaudited net asset value ("NAV") per ordinary share of the Company ("Ordinary Share") was €0.72.

- On 17 January 2012, Mr. Andrea Rossi resigned as a Director of the Company.

- On 2 February 2012, Mr. Fergus Dunlop was appointed as an independent non-executive Director of the Company.

- On 3 February 2012, J.P. Morgan Asset Management Holdings Inc. announced that it had purchased 9,979,800 Ordinary Shares representing 13.77 per cent. of the issued Ordinary Shares on 27 January 2012.

- On 20 June 2012, Mr. Jonathan Hooley resigned as a Director of the Company.

- On 20 June 2012, Mr. Charles Parkinson was appointed as an independent non-executive Director of the Company and Chairman of the Audit Committee. This appointment became effective on 1 July 2012.

Highlights at the Company's portfolio level

- During the first six months of the year, Ranhill Water Technologies (Cayman) Limited ("RWT") continued to build on their strong growth and margin improvements on existing businesses and projects already experienced in the first half of their financial year.

- RWT was awarded a new potable water project in Thailand from an existing client, Amata City Industrial Estate ("Amata Industrial Estate"), an established key industrial estate in the south of Bangkok with close to 500 factories in operation. This project is larger than the existing plant RWT built for Amata Industrial Estate in the past and is more fully detailed in the Manager's report.

- During the first six months of the year, FourWinds Capital Management (the "Manager") developed a strategy alongside like-minded shareholders of China Hydroelectric Corporation ("CHC") representing collectively approximately 40.8 per cent. of CHC's issued share capital, to take some action to replace several members of CHC's board of directors and stimulate a more active management of CHC's assets. A formal announcement was made in August and is more fully detailed in the Manager's report and in the subsequent events section in Note 8 to the condensed interim consolidated financial statements.

- Waterleau Group ("Waterleau") continued to expand their industrial wastewater business and to expand their access into the food and beverage ("F&B") sector which is enjoying a strong growth and broadly outperforming most other industrial water markets.

- In June 2012, In-Pipe Technology Inc. ("In-Pipe"), under the leadership of the Manager whose representative was elected Chairman of the In-Pipe's board of directors, achieved break-even and net income positive for the first time since inception and initiated the trend towards sustainable break-even, a trend confirmed in July.

- On 27 March 2012, the Company announced a partial exit from its investment in Bluewater Bio International ("BBI") for which the Company received a total amount of £912,147 in cash as part repayment for some of its outstanding loans to BBI and related interest, with the balance of its loans being converted into two new classes of shares in BBI, more fully detailed in the Manager's report.

- BBI also announced that it had signed a technology alliance agreement with Thames Water further demonstrating the strength of its technology.

Further enquiries:

Aqua Resources Fund Limited
Hasan Askari, Chairman

FourWinds Capital Management, Investment Manager
Kimberly Tara, Chief Executive Officer
info@fourwindscm.com

Cenkos Securities plc, Corporate Broker
Will Rogers +44 207 397 1920
Dion Di Miceli +44 207 397 1921

HSBC Securities Services (Guernsey) Limited, Administrator
Tel: +44 (0) 1481 707 000

CitigateDeweRogerson, PR Advisor
Kevin Smith / Lindsay Noton +44 207 638 9571

Notes to Editors:

Aqua 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.

Aqua's ordinary shares were admitted to listing on the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 24 July 2008.

Aqua's investment objective is to provide long term capital appreciation through exposure to a diversified portfolio of water-related investments. Aqua will invest principally in businesses that are involved in i) water treatment and recycling (i.e. wastewater 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 dynamics driving the water industry.

MANAGEMENT AND ADMINISTRATION

DIRECTORS:	Hasan Askari *(Chairman)*
	Andrea Rossi (up to 17 January 2012)

	Jonathan Hooley (up to 20 June 2012) Fergus Dunlop (from 2 February 2012) Charles Parkinson (from 1 July 2012) *all of whom are independent non-executive directors*
REGISTERED OFFICE:	Arnold House St. Julian's Avenue St. Peter Port Guernsey CI GY1 3NF
MANAGER:	FourWinds Capital Management Scotia Centre PO Box 268GT George Town Grand Cayman KY1-1104 Cayman Islands
CORPORATE BROKER:	Cenkos Securities plc 6,7,8 Tokenhouse Yard London EC2R 7AS United Kingdom
SOLICITORS TO THE COMPANY: (as to English Law)	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS United Kingdom
ADVOCATES TO THE COMPANY: (as to Guernsey Law)	Mourant Ozannes 1 Le Marchant Street St. Peter Port Guernsey CI GY1 4HP
ADMINISTRATOR AND COMPANY SECRETARY:	HSBC Securities Services (Guernsey) Limited Arnold House St. Julian's Avenue St. Peter Port Guernsey CI GY1 3NF
AUDITORS:	PricewaterhouseCoopers CI LLP Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey CI GY1 4ND
REGISTRAR:	Capita Registrars (Guernsey) Limited PO Box 627 Longue Hougue House St. Sampson Guernsey CI GY1 4PP
UK TRANSFER AGENT:	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham

Kent BR3 4TU
United Kingdom

CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

To the Shareholders of Aqua Resources Fund Limited

The Board is pleased to present the Company's Half-Yearly Management Report.

The strategy of the Company is to focus on fast growing private water and wastewater treatment businesses that are either already established globally, or demonstrate potential to grow outside their core local markets.

As shareholders will be aware from the Chairman's statement in the annual consolidated financial statements of the Company for the year ended 31 December 2011 (and the Company's subsequent RNS announcements), this is a period of considerable flux in the Company's fortunes. The process of delisting from the Official List of the UKLA and from trading on the Main Market of the London Stock Exchange is underway and a circular (the "Circular") setting out the appropriate resolutions for shareholders' consideration will be dispatched shortly after the publication of this Report. The Board is pleased that an existing shareholder, J.P.Morgan Private Equity Group, is seeking to increase its shareholding in the Company from approximately 15 per cent. at the time of their proposed tender offer to a maximum of 29.9 per cent. of the issued shares in the Company, through a tender offer by the Company to those shareholders who may wish to exit their investments in the Company, at a price of 35c per ordinary share of the Company. This price represents a premium of approximately 20 per cent. to the closing middle market price of the ordinary shares of the Company on 13 August 2012 (being the day before the announcement of proposed tender offer), a discount of 65.7 per cent. to the latest published estimated unaudited NAV per ordinary share on 13 August 2012 (being the NAV per share of €1.02086 for 31 March 2012) and a discount of 51.8 per cent. to the estimated unaudited NAV per ordinary share as at 30 June 2011 of €0.7155. Your Board was particularly conscious of its responsibility to provide shareholders who prefer a stock exchange listing with an option to exit their investment in the Company in the event of a delisting. In so far as the tender offer proceeds and is not oversubscribed, we believe this objective will be met.

A majority of the shareholders voting at the Company's Annual General Meeting on 29 June 2012 voted against the resolution to receive and adopt the financial statements of the Company for the year ended 31 December 2011 and the report of the Directors and the auditors thereon. The Board understands that the resolution was not approved due to concerns over the level of annual expenditure of the Company. The proposals to be included in the Circular have been structured partly to address these concerns.

Net Asset Value

As at 30 June 2012 the unaudited NAV per Ordinary Share was €0.7155, a decrease of 24.68 per cent. since 31 December 2011.

The Company owns investments in four unlisted companies and one company listed on the New York Stock Exchange. The investments in the unlisted companies are stated at the Directors' valuation. Your Board has taken advice from PricewaterhouseCoopers London (part of the same group as the auditors) on the valuation of the two largest investments (representing approximately 81.33 per cent. of the NAV of the Company), and has reviewed the valuations of the Company's two other unlisted investments. As a result of changes in the composition of the comparator group of companies and as a result of changes in the multiples applied, on which the valuations of the larger holdings are largely based, and of a prudent view of the recent financial performance of the two smaller unlisted holdings, together with the decline in the market value of the Company's listed investment, the NAV of the Company has reduced by approximately 25 per cent.

Outlook

It would be fair to say that your Board recognises the degree of uncertainty about the Company's future prospects. Markets are likely to remain volatile and we do not anticipate any significant recovery in the economic environment in the short term. This uncertainty is compounded by the current delisting process. Nevertheless, the availability of a partial liquidity option (at a premium to the current prevailing share price albeit at a significant discount to NAV) for those shareholders who may wish to exit their investment in the Company, demonstrates the potential in some of the underlying assets.

The Company has now been in existence for just over four years and, as announced on 14 August 2012, the Board is asking shareholders to modify the investment guidelines, constraining activity to the existing portfolio and seeking opportunities to realise value. Further details will be contained in the Circular.

Subsequent transactions and events

There have been no subsequent transactions since 30 June 2012. On the 16 August 2012 the Administrator informed the Company it would be terminating the administration agreement. In line with the administration agreement, the Administrator has given 90 days notice and the agreement will terminate on the 14 November 2012.

Principal risks & uncertainties

As we stated in the financial statements for the year ended 31 December 2011, the Company expects to face challenges linked to, on the one hand, the global macroeconomic environment and, on the other hand, potential microeconomic challenges linked to the Company's investments if such investments do not achieve the expected financial and operating results. Such uncertainties arise from the slower than expected pace of global economic recovery, political instability in large markets such as the Middle East and North Africa which are a large source of growth for some of our portfolio companies, additional government regulations in the water sector and currency risk.

More specifically, the Company is focused on the following key risks:

Macroeconomic risks

In addition to the specific risks set out above, the performance of the Company's underlying investment portfolio is also influenced by a combination of economic growth, interest rates, the availability of well-priced debt finance, the number of active trade and private equity buyers and the general level of merger and acquisition activity. All of these factors have an impact on the Company's ability to invest and on the Company's ability to exit from its underlying portfolio or on the levels of profitability achieved on exit.

Long-term strategic risks

The Company is subject to the risk that its long-term strategy and its level of performance fail to meet the expectations of its shareholders.

The Company regularly reviews its investment strategy in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders. As stated above, the Circular will shortly be posted to shareholders seeking their approval for certain proposals including the delisting of the Company's shares from the Official List of the UKLA and from trading on the London Stock Exchange, a change of investment objective and policy and related amendments to the articles of incorporation of the Company.

Investment risks

The Company operates in a very competitive market. Changes in the number of market participants, the availability of funds within the market, the pricing of assets, or in the ability of the Manager to access deals on a proprietary basis could have a significant effect on the Company's competitive position and on the sustainability of returns. The performance of the Company's portfolio is dependent upon a range of factors. These include but are not limited to: (i) the quality of the initial investment decision; (ii) the ability of the investee company to execute successfully its business strategy; (iii) actual outcomes against the key assumptions underlying the investee company's financial projections; and (iv) market sentiment towards the region or asset class chosen. Any one of these factors could have an impact on the valuation of an investee company and upon the Company's ability to make a profitable exit from the investment within the desired timeframe.

Additionally, over time, market movements can weaken any diversification achieved at the time of investment. This has happened in the Company's portfolio, such that the initially concentrated portfolio of five positions, has over time changed so that just two of those investments (being RWT and Waterleau) represent approximately 81.3 per cent. of NAV of the Company. The Board announced on 14 August 2012 that, to avoid any lingering expectation of the Company offering investors the diversification aims set out in the Company's investment objective and policy, it will propose that shareholders remove the diversification targets from the Company's investment objective and policy at an extraordinary general meeting, details of which will be contained in the Circular.

Operational risks

The Company's investment management, custody of assets and all administrative systems are provided or arranged for the Company by the Manager, the Administrator and other service providers. Therefore, the Company is exposed to a range of operational risks which can arise from inadequate or failed processes, people and systems or from external factors affecting these. The Company's system of internal control mainly comprises the monitoring of the services provided by the Manager, including the operational controls established by the Manager to ensure it meets the Company's business objectives.

As a result of its investment strategy, the Company is exposed to various risks including market risk, credit risk and liquidity risk as further explained in Note 7 (page 53) of the notes to the consolidated financial statements for the year ended 31 December 2011 which is available at http://www.aquaresourcesfund.com.

Additionally, the Company is in the process of consulting with shareholders regarding its delisting.

Results

The results for the six months ended 30 June 2012 (the "Period") are set out in the Condensed Interim Consolidated Statement of Operations.

Dividends

The Board is not proposing a dividend for the Period.

Related parties

As at 30 June 2012, 3,685,000 Ordinary Shares of the Company (31 December 2011: 3,685,000) were owned by the Manager.

Hasan Askari
Chairman
29 August 2012

MANAGER'S REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

Introduction

The Company reports that the unaudited NAV per Ordinary Share at 30 June 2012 was €0.7155 (€1.0321 at 30 June 2011). At 30 June 2012, the Company had invested approximately 92 per cent. of its net assets and the balance was invested conservatively in cash, with no gearing.

The share price at which the Ordinary Shares trade on the London Stock Exchange ("LSE") started the Period at €0.33 (1 January 2012) and closed the Period at €0.29 (30 June 2012) which represents a 12.12 per cent. decrease and a discount to the NAV of 59.47 per cent.

Summary of performance

Twelve months ending 30 June	Unaudited net assets attributable to ordinary shareholders (€)	Unaudited NAV per Ordinary Share (€)	Ordinary Share price[1] (€)	Increase/(decrease) in Net Asset Value period on period (€)
2010	70,947,897	0.9791	0.58	3,041,538
2011	74,788,639	1.0321	0.44	3,840,742
2012	51,847,198	0.7155	0.29	(22,941,441)

Investment activity during the period

No new investments have been made since 1 January 2012. However, on 27 March 2012, the Company announced a partial exit from its investment in BBI. As part of that exit, the Company received a total amount of £912,147 in cash as part repayment for some of its outstanding loans and related interest to BBI, with the balance of its loans being converted into two new classes of shares in BBI as follows:

i. £283,011 into a new class of B preferred shares, ranking pari passu with the newly created A preferred shares (save that they are redeemable at any time at the discretion of the board of directors of BBI); and

ii. £2,117,984 into a new class of C preferred shares, ranking behind the A and B preferred shares.

As the result of the overall dilution from the capital increase, and including the anti-dilution shares received by the Company as part of the transaction, the ordinary equity interest retained by the Company declined to 12.12 per cent. of the issued voting capital of BBI (reduced from approximately 17 per cent. which it held immediately prior to this transaction) and which ranks behind the preferred and other classes of shares in the capital of BBI.

On 19 February 2012, as part of its cost reduction and improvement of its liquidity position, In-Pipe completed a transaction with its founding partners, reducing significantly its monthly debt burden and cash burn. This was accompanied by a small injection of cash from some existing investors other than the Company, which has not invested in this subsequent round.

Manager's review

At 30 June 2012, the unaudited NAV per Ordinary Share of the Company was €0.7155, a decrease of 24.68 per cent. from the 31 December 2011 audited NAV of €0.9499 per Ordinary Share.

Analysis of movements in NAV for the six months ended 30 June 2012 (in €)

Opening NAV as at 1 January 2012	68,831,602
Investment income	532,551
Management fee	(733,203)
Performance fee	-
Other costs	(462,786)
Net change in unrealised appreciation of investments	(16,307,070)
Foreign currency movements	(13,896)
Closing NAV as at 30 June 2012	**51,847,198**

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

The Company gives investors unique access to the steadily growing private water and wastewater treatment sector by investing in businesses that are established globally or locally with potential to grow outside of their core markets, and which have a successful track record in delivering solutions to their clients.

We believe that the Company's approach will reward investors with strong performance in the long-term.

Manager's strategy

The Manager seeks to achieve the investment objective of the Company by providing shareholders with a pure exposure to the long-term capital appreciation of water companies through diversified exposure to a global portfolio of growth capital water-related investments.

Despite the concentration of the NAV of the portfolio in two holdings as explained in the Chairman's Statement above, the portfolio companies continue to be diversified between technologies, service providers and operators. The portfolio is actively managed with significant time spent on each investment and synergies are sought between the different portfolio companies to extract and deliver superior value.

The Manager carefully considers the exercise of voting rights in relation to the Company's portfolio companies and votes or refrains from voting based on a case by case examination, using its best commercial and financial judgment for the best long-term interests of the Company and its shareholders. Typically the Manager will, when making voting decisions, examine the strategic focus and operating performance of the relevant portfolio company, its corporate governance and remuneration framework and its communications and reporting structures. Furthermore, the Manager has in place a rigorous process for managing the relationship with each investee company for the period to anticipated realisation. This includes regular asset reviews and, in three cases, board representation by one or two of the Manager's executives.

Portfolio overview

The main contributing factor to the decline of the Company's NAV during the Period was the unrealised loss on equities resulting from steep changes in the valuation principles applied by the Board to the portfolio, specifically the exclusion from the comparable analysis of direct industry competitors retained in previous valuations. These changes particularly impacted two investments as described in Note 2 to the condensed interim consolidated financial statements. The decline of the Company's NAV during the Period was also due to the decline in the CHC share price. Nevertheless, this decline was offset by the cash repayment of £912,147 for some of the Company's outstanding loans to BBI and related interest and by minor foreign exchange gains on equities.

The Manager considers that the valuations do not reflect the operational performance of the assets nor the value these investments could fetch in an exit scenario.

In the particular case of RWT, the comparable analysis was substantially modified by excluding direct industry competitors to retain all but one of the usual set of competitors for RWT, implying a multiple reduced by approximately 28 per cent. (including private company discount). Consequently, despite the fact that on a year on year basis RWT has achieved strong operational performance and sustained operational margins, the value has been reduced by approximately 40 per cent. (or €0.215 per ordinary share) when compared to RWT's valuation retained in the audited financial statements of the Company for the year ended 31 December 2011. This represents more than 90 per cent. of the reduction in the net asset value per share during the Period.

In the case of In-Pipe, the valuation principle was substantially modified to adopt an impairment value (which value has been reduced by approximately 60 per cent. when compared to year-end valuation retained in the audited financial statements for the year ended 31 December 2011) despite the fact that In-Pipe has achieved operational break even and net profit in June 2012 for the first time since inception and initiated the trend towards sustainable break-even.

Ranhill Water Technologies (Cayman) Limited performance

RWT is a fully integrated water and wastewater company with in-house expertise in design, construction and operations of water and wastewater plants across a number of Asian countries. It has operations in Thailand, Malaysia and China. Currently, RWT owns and operates 4 projects in China with a total treatment capacity of 160 Million Litresper Day ("MLD") as well as 2 Build Own Transfer ("BOT") projects consisting of 5 operating plants in Thailand.

As highlighted above, RWT was awarded a new potable water project in Thailand from an existing client, Amata Industrial Estate, who contracted their first project with RWT in 2000. Recently, this client awarded RWT a new water project to treat and produce 15MLD of potable water under a 20 year BOT scheme. This project is to support the growth of water consumption in the industrial park. Amata Industrial Estate is a very established key industrial estate in the south of Bangkok with close to 500 factories in operation.

Summary of RWT's financial performance[2] (June year-end):

(in US$ million)	2009	2010	2011
Revenues	$ 13.5	$ 22.5	$ 26.1
EBITDA	$ 4.8	$ 6.0	$ 6.4
Net Profit[3]	$ 4.2	$ 4.9	$ 5.0

For the first nine months (to 31 March 2012) of fiscal year ending 30 June 2012, RWT registered unaudited revenues of approximately US$19.5 million, EBITDA of US$5.6 million and net profit of US$4.2 million[4]. In comparison, for the first nine months (to 31 March 2011) of fiscal year ending 30 June 2011, RWT registered unaudited revenues of approximately US$10.7 million, EBITDA of US$2.0 million and net profit of US$1.2 million, thus posting a nine months revenue, EBITDA and net profit growth of approximately 82% per cent., 186% per cent. and 254% per cent. respectively over the corresponding period in fiscal year 2011.

The Company owns approximately 45.2 per cent. of RWT.

Investment summary:

	Cost (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
RWT	11,055	4,632	15,687	Discount to comparable multiples

Details on the valuation methodology can be found in Note 2 to the condensed interim consolidated financial statements.

China Hydroelectric Corporation performance

CHC is an owner, consolidator, developer and operator of small hydroelectric power projects in the People's Republic of China. CHC's primary business is to identify and evaluate acquisition and development opportunities and acquire and in some cases construct, hydroelectric power projects in China. CHC currently owns twenty-six operating hydroelectric power stations in China with a total installed capacity at 30 March 2012 of 547.8 Megawatt ("MW"), of which it acquired twenty-two operating stations and constructed four. These projects are located in four provinces: Zhejiang, Fujian, Yunnan and Sichuan[5]. Hydropower is an important factor in meeting China's electric power needs, accounting for approximately 22 per cent. of total nation-wide capacity[6].

Summary of CHC's financial performance[7] (December year-end):

(in US$ millions)	2009	2010	2011
Revenues	$34.3	$63.3	$57.5
EBITDA	$20.8	$36.3	$19.3
Net Profit	($19.4)	$3.7	($45.4)

On 16 August 2012, CHC reported its second quarter unaudited results for the six months ended 30 June 2012. The results benefited from better hydrological levels than recently observed and tariff increases in six out of the twenty-six power stations impacting 21.5 per cent. of CHC's total capacity.

For the six months to 30 June 2012, CHC reported unaudited revenues of US$56.4 million, EBITDA of US$41.8 million and a net income of US$8.5 million. At the operating level, the six months revenue, EBITDA and net income are up by approximately 84 per cent., 117 per cent. and 221 per cent. respectively, over the corresponding period in fiscal year 2011. At 30 June 2012, CHC announced that it has been able to secure a total of US$74.2 million through borrowings from banks and non-financial institutions, releasing the pressure on its liquidity problems with working capital deficiency and debt payment obligations. Furthermore, since 1 January 2012, CHC has benefited from the favourable effect of above average precipitation on revenue and cash flow. Furthermore, it has taken steps to reduce costs. However, there is no assurance that CHC's efforts will be sufficiently effective to meet all its funding requirements in a timely fashion.

Despite these improved operating results, the first half trading was affected by general uncertainty on the liquidity position, during the period from 1 January 2012 to 30 June 2012, CHC's share price traded on the New York Stock Exchange declined by approximately 39 per cent. from US$1.14 per American Depositary Share ("ADS") at 31 December 2011 to US$0.70 per ADS at 30 June 2012.

As highlighted above, during the first six months of 2012, the Manager developed a strategy alongside like-minded shareholders of CHC to take some action with the view to improving the financial performance of CHC. As a result, the Company's subsidiary, Aqua Resources Asia Holdings Limited ("ARAHL"), as shareholder of CHC, acting together with certain other shareholders of CHC representing collectively approximately 40.8 per cent. of CHC's issued share capital, sent a joint letter to the CHC board of directors setting out certain concerns regarding the overall management of CHC and requiring the convening of an extraordinary general meeting ("CHC EGM") of CHC to consider certain changes to the CHC Board, consisting of the removal and replacement of five out of seven of its existing directors. The replacement directors would each be representatives of the like-minded shareholders, with an independent director and the President of CHC remaining. In this regard, ARAHL is nominating Mr. Jui Kian Lim, an employee of the Manager's group, to the CHC board. The CHC EGM has been requisitioned for 28 September 2012, in Beijing, China for shareholders to consider resolutions connected with the proposals. As a result of acting with these other shareholders in sending the joint letter to requisition the CHC EGM, under the United States Securities Exchange Act, the like-minded shareholders are considered to form a 'consortium' as they have formed together to 'vote' the shares in a certain way. As such, they were required to jointly file a Form Schedule 13D with the Securities Exchange Commission ("SEC", which regulates CHC since it is listed on the New York Stock Exchange), which form was also filed with the SEC on 21 August 2012.

Investment summary:

	Cost (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
CHC	13,479	(12,385)	1,094	Market price

Details on the valuation methodology can be found in Note 2 to the condensed interim consolidated financial statements.

Waterleau Group performance

Waterleau is a global provider of wastewater treatment, water treatment, sludge treatment, waste treatment, energy, and air treatment solutions for industry and municipalities. Its services include research and development, audits and consultancy, pilot testing and demonstration tests, feasibility studies, technology selection, process design, mechanical design, electricity and instrumentation design, basic engineering, detailed engineering, and procurement. The company also provides equipment supply, site supervision, general contracting, construction, erection, electricity, instrumentation and control, start-up and commissioning, training, operation and maintenance, project development, financing, and Build Own (Operate) Transfer ("BO(O)T") project related services.

Summary of Waterleau's financial performance[8] (December year-end):

(in US$ millions)	2009	2010	2011
Revenues	€55.5	€63.5	€ 75.3
EBITDA	€6.6	€6.6	€7.2

During the first six months to 30 June 2012, Waterleau has expanded their industrial wastewater business significantly and has continued to expand their access into the F&B sector which is enjoying strong growth. Global Water Intelligence recently published a report stating that worldwide annual capital expenditure on water technologies in the F&B industry has been forecast to grow from circa US$3.3 billion in 2011 to around US$6.0 billion by 2020[9]. This would represent a compound annual growth rate ("CAGR") in the marketplace as a whole of 6.7 per cent. over 9 consecutive years, broadly out-performing most markets. It is, however, expected that Brazil, Russia, India, China and emerging markets such as Africa will continue to outpace the market substantially, providing double-digit CAGRs during the period. The relatively low cost of Waterleau's solutions, in particular in the anaerobic segment, is crucial to its success in emerging markets. An overview of this sector and its potential are detailed in our market commentary below. The implications for Waterleau are significant. Meanwhile, in municipal waste water, Waterleau continues to execute a number of large municipal projects in emerging markets, in particular in Morocco where it has an established base with the plant it has built for the Régie Autonome de Distribution d'Eau et d'Electricité de Marrakech ("RADEEMA"), treating 110,000m³/day of wastewater from the city of Marrakech, despite the slowdown in the municipal sector due to global financial market situation and availability of finance for these kinds of projects. The pipeline for smaller municipal projects has been stable.

Investment summary:

	Cost (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
Waterleau	20,000	6,482	26,482	Discount to comparable multiples

Details on the valuation methodology can be found in Note 2 to the condensed interim consolidated financial statements.

In-Pipe Technology performance

In-Pipe provides engineered wastewater treatment technology and services for municipalities in the United States and internationally. Its technology re-engineers the sewer biofilm to offer biological nutrient removal, biosolids management, wastewater recycling, and ultraviolet disinfection services to pre-treat wastewater in the sewer collection system. The company's solutions enable customers to achieve environmental compliance, and eliminate noxious odors and corrosion, as well as lessen the impact of fats, oils, and grease.

Summary of In-Pipe's financial performance[10](December year-end):

(in US$ millions)	2009	2010	2011
Revenues	$1.7	$1.6	$1.8
EBITDA	($1.5)	($1.6)	($0.8)

During the first six months to 30 June 2012, In-Pipe has continued to reduce costs aggressively and restructure the business which has resulted in reaching break-even for the first time since inception and posting a net profit in June 2012. During this period, In-Pipe registered unaudited revenues of approximately US$1 million and an improvement of 70 per cent. of the EBITDA. The Manager, whose representative has been nominated to become the Chairman of the board of directors of In-Pipe, is working very closely with In-Pipe's management with the objective of continuing this positive trend and of strengthening the value of In-Pipe.

Investment summary:

	Cost (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
In-Pipe	3,603	(1,972)	1,972	Discount to cost

Details on the valuation methodology can be found in Note 2 to the condensed interim consolidated financial statements.

Bluewater Bio International performance

BBI is a provider of municipal, industrial, and commercial wastewater treatment solutions. It offers hybrid bacillus activated sludge technology, a biological odorless wastewater treatment process that produces reusable effluent and removes nutrients. The company also provides plant design, costing, installation, commissioning, training, and operation and maintenance services.

Summary of BBI's financial performance (June year-end):

(in US$ millions)	2009	2010	2011
Revenues	£0.0	£0.5	not yet available

During the first six months to 30 June 2012, BBI has delivered and implemented several new plants, namely, Swartruggens in South Africa and Ashbourne in the UK for its client Severn Trent. They have also fully integrated FilterClear which they had acquired in the fall of 2011. Furthermore, they have completed construction of a demonstration plant in Princeton Meadows in close partnership with Suez IDI. Finally, BBI is continuing the building phase of its Tubli project in Bahrain making good progress. For the year ending 30 June 2012, BBI is expected to report increased revenues when compared to the previous year.

Bluewater Bio International performance

Investment summary:

	Cost (€'000)	Realised value (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
BBI	9,293	1,128	(5,842)	2,323	Discount to cost

Details on the valuation methodology can be found in Note 2 to the condensed interim consolidated financial statements.

Performance summary

For the six months ended 30 June 2012, the realised and unrealised movements of the investment portfolio (including accrued interest and foreign currency movements) are analysed below.

Net realised loss from foreign currency transactions	(13,062)
Net unrealised gain from foreign currency transactions	6,811
Net realised loss on investments	(7,645)
Change in unrealised depreciation of investments	(16,307,070)
Total realised and unrealised gain from investments and foreign currency	**(16,293,174)**

Manager's market commentary and outlook

Despite economic difficulties or political unrest continuing across the globe, water stocks have undeniably remained a strong sector in which to invest. This is primarily related to the solid fundamentals- depleting clean water supplies and the relentless increase in demand, which are creating challenges only change and innovation can solve. The empirical performance is clear: Global Water Intelligence's GWI Water Index outperformed all major stock indices last month, despite a renewed influx of disastrous economic news for Europe.

In the Western hemisphere, demand growth in the water technology sectors is now being driven primarily by industrial water businesses rather than by municipal businesses. This is due to a number of reasons; the first is that municipal water businesses often require large bank loans, which are currently difficult to obtain given the new, higher capital requirements targeted by banks, particularly in Europe. Secondly, confidence in Western government finances continue to deteriorate, and combined with the fact that municipal water utilities often supply water at lower than cost, bank exposures to previous leveraged municipal projects are now no longer considered as safe as they originally were. This is not necessarily the case in countries where basic water needs and targets have not been met yet, for instance in North Africa, the Middle East and Asia, where some of the Company's portfolio companies are active such as Waterleau, RWT and BBI.

However, in some respects this can be seen as positive for the industry, since a shift away from municipal to industrial projects has meant that although deals in the sector have become smaller, there are more of them and they are generally more profitable than large municipal projects. Industrial clients also tend to be more open to trying the innovative technologies that drive progress and growth, as opposed to simply seeking price competition, which is fortunate since it drives business towards companies which are technologically distinguished from their competitors. These companies can therefore avoid direct price competition, which would otherwise destroy profitability. Again, the Company's portfolio has exposure to this kind of technology through Waterleau, In-Pipe, BBI and RWT.

Innovation is becoming increasingly important in the market not only due to the fact that it can allow companies to differentiate their products, but also because it allows increased efficiency. For example, a company using basic waste water technologies may find that the cost of capital expenditure or operations has a lower boundary, that is, the pipes, labour and materials needed can only allow the company to undercut its rivals to a point below which it can no longer turn a profit. Innovation, however, changes these rules - it could mean adding an additional revenue stream in the form of fertilizer extraction, or it could mean decreasing maintenance costs, saving energy, reducing capital expenditure requirements or increasing plant throughput. Any combination of innovations in these fields can give a company a profitable advantage over its competition.

The Company's portfolio is directly exposed to two developments that are currently at the forefront of technology advancement: the technologies used in the F&B sector, and the trend towards so-called "water meets waste" technologies.

The F&B market appears to be setting itself up for rapid expansion in developing economies, as the emerging middle classes begin to adapt to the freedom of choice provided by their new-found discretionary incomes. This provides an opportunity for the global F&B players. Global brands generally manufacture F&B products locally to their market to reduce costs, particularly drinks, which have high transportation costs compared to the product costs. However, this means the companies will need to treat and process water and waste water locally. This presents a growth opportunity for the water technology industry.

Two issues that can easily damage a blue chip brand are inconsistency and contamination. One way in which both of these risks can be reduced is via investment in advanced production technologies. Water technology is at the heart of these issues, since poor water quality can open up a potential gateway for product contamination while also being a hurdle to product consistency. Water is again at the forefront of the current ethics debate, with wide scale water pollution caused by fertilisers, pesticides and industrial chemicals becoming a global issue. A single report of pesticide pollutants in a beverage or chemical anomalies in food can be sufficient to severely damage a brand's reputation.

The F&B industry is reliant on the use of high volumes of water, and hence, when combined with the trend of global water scarcity, it provides the perfect foundation to add value by optimising the use of water in operations. Similarly, any opportunities for F&B businesses to increase production efficiency are likely to prove beneficial and allow these companies to price their products more competitively. The primary ways in which efficiencies can be achieved in the F&B industry are via reduction of water usage though increasing operational efficiency, reduction in waste water treatment costs, or via energy and resource recovery.

Whether resulting from fermentation, soaking, cleaning, rinsing or coagulation, the organic content of F&B industrial effluents is usually high due to the organic ingredients used in the process. This makes it a prime target to apply anaerobic digestion, which can produce alternative energy by using this organic matter as a feedstock, while simultaneously reducing the BOD[11] of the resultant waste stream, and also forming the initial stages of a full secondary and tertiary treatment cycle to enable water reuse.

As part of increasing energy efficiency, water utilities globally are looking at increasing their renewable energy generation as a substitute for drawing that energy from the grid. Such sources primarily include energy in the form of biogas derived from sludge processing, and from time to time, a wind turbine on a waste water treatment site. Increasing biogas production per tonne of sludge has been a focus of a number of technology companies in the water treatment space. Such technologies include either advanced mechanical, thermal or more energy efficient biological treatment to improve biogas production by sometimes up to 25 per cent.

Recently, water utilities have started to realise that they have very valuable assets with biogas generation from organic waste. Every large waste water treatment site that has anaerobic digestion (a source of biogas production) as part of the water treatment process, usually has all the energy generation equipment required to produce energy from biogas, or sometimes even to clean it for injection into the grid (particularly in Continental Europe).

Waterleau has diligently noted the opportunities presented in these markets, and has been steadily growing and building a proven track record in anaerobic waste water treatment (amongst other applications). With more than 200 plants built by Waterleau in this field, it is one of the world's key players. Entering these new high-growth markets is not easy and Waterleau's established track record in this field is very valuable.

Exit opportunities for portfolio companies in the sector are looking increasingly optimistic as demonstrated in the table below.

Seller	**Target**	**Buyer**	**Value**	**EV/EBITDA**
Norit	Clean Process Tech.	Pentair	$716m	14.4x
Publicly traded company	Nalco	Ecolab	$8.2bn	12.0x
ITT Corporation	Xylem	IPO	$4.5bn	11.0x
Apollo Management[1]	Rexnord Corporation	IPO	$4.0bn	10.5x
Tyco International[2]	Tyco Flow Control	Pentair	$4.9bn	11.3x
Doughty Hanson[1,2]	Norit NV	Cabot Corp	$1.1bn	12.0x

1) All new money (i.e. seller receives no proceeds - capital raise) *2) Deal pending*

Since mid-2011, M&A deals in the water sector have picked up significant interest, including deals at the larger end of the spectrum. It is worth noting the EBITDA multiples of all of the transactions below are above 10 times, indicating strong market confidence despite the current economic environment[12] and which bodes well for the portfolio as a whole.

FourWinds Capital Management
29 August 2012

DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

To the best of the knowledge of the Directors:

The Highlights, the Chairman's Statement and the Manager's Report comprise the Half-Yearly Management Report.

This Half-Yearly Management Report and Unaudited Condensed Interim Consolidated Financial Statements gives a true and fair view of the assets, liabilities, financial position and profit of the Company and has been prepared in accordance with the accounting principles generally accepted in the US.

The Half-Yearly Management Report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred in the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board of Directors by:

Hasan Askari *Charles Parkinson*

Director Director
29 August 2012

CONDENSED INTERIM CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AT 30 JUNE 2012

	Notes	Unaudited 30 June 2012 €	Audited 31 December 2011 €
Assets			
Cash and cash equivalents		3,858,396	4,078,716
Investments at fair value (cost 2012: €57,432,537 and 2011: €57,529,286)	2	47,558,864	63,991,141
Interest receivable		50,000	643,739
Receivable from the Manager		462,243	279,213
Prepaid expenses		36,633	13,863
TOTAL ASSETS		51,966,136	69,006,672
Liabilities			
Other payables	3	118,938	175,070
TOTAL LIABILITIES		118,938	175,070
NET ASSETS		51,847,198	68,831,602
Net Assets consist of:			
Ordinary Shares (no par value, authorised to issue unlimited number of Ordinary Shares, of which 72,464,340 (2011: 72,464,340) were issued and outstanding)	4	70,030,004	70,030,004
Retained earnings		(18,182,806)	(1,198,402)
		51,847,198	68,831,602
Net asset value per Ordinary Share		0.7155	0.9499

CONDENSED INTERIM CONSOLIDATED SCHEDULE OF INVESTMENTS AT 30 JUNE 2012

Investments	**Quantity/ Notional**	**Fair Value €**	**% of NAV**
INVESTMENTS AT FAIR VALUE			
Bonds			
Belgium (cost: €20,000,000)			
Waterleau Group N.V. Convertible Loan	€20,000,000	26,482,342	51.08
Total investments in bonds (cost: €20,000,000)		**26,482,342**	**51.08**
Equities in Unlisted Companies			
Belgium (cost: €277)			
Waterleau Group N.V.	1	367	-
Cayman Islands (cost: €20,351,156)			

Bluewater Bio International (Note 2)	49,170,112	540,554	1.04
Bluewater Bio International Class B Senior Preferred (Note 2)	283,011	210,142	0.41
Bluewater Bio International Class C Junior Preferred (Note 2)	2,117,984	1,572,648	3.03
Ranhill Water Technologies (Cayman) Limited	14,880,000	15,686,877	30.26
United States of America (cost: €3,602,651)			
In-Pipe Technology Company Inc.	474,834	1,972,231	3.80
Total investments in unlisted companies (cost: €23,954,084)		**19,982,819**	**38.54**
Equities in Listed Companies			
China (cost: €13,478,451)			
China Hydroelectric Corporation - American Depository Shares	1,980,537	1,093,702	2.11
Total investments in listed companies (cost: €13,478,451)		**1,093,702**	**2.11**
Warrants			
Cayman Islands (cost: €1)			
Bluewater Bio International - Warrant 02/11/2016 (Note 2)	1	-	-
Bluewater Bio International - Part 2 Warrant 31/03/2013 (Note 2)	1	1	-
United States of America (cost: €1)			
In-Pipe Technology Company Inc. - Warrants 05/08/2016 (Note 2)	74,225	-	-
Total investments in warrants (cost: €2)		**1**	**-**
Total investments at fair value (cost: €57,432,537)		**47,558,864**	**91.73**

CONSOLIDATED SCHEDULE OF INVESTMENTS
AT 31 DECEMBER 2011

Investments	Quantity/ Notional	Fair Value €	% of NAV
INVESTMENTS AT FAIR VALUE			
Bonds			
Belgium (cost: €20,000,000)			
Waterleau Group N.V. Convertible Loan	€20,000,000	26,520,207	38.53
Cayman Islands (cost: €2,979,301)			
Bluewater Bio International Convertible Loans	£2,500,000	2,758,201	4.01
Total investments in bonds (cost: €22,979,301)		**29,278,408**	**42.54**
Equities in Unlisted Companies			
Belgium (cost: €277)			
Waterleau Group N.V.	1	367	-
Cayman Islands (cost: €17,468,604)			
Bluewater Bio International (Note 2)	49,170,112	2,282,585	3.32
Ranhill Water Technologies (Cayman) Limited	14,880,000	25,920,200	37.66

United States of America (cost: €3,602,651)			
In-Pipe Technology Company Inc.	474,834	4,771,731	6.96
Total investments in unlisted companies (cost: €21,071,532)		**32,974,883**	**47.91**
Equities in Listed Companies			
China (cost: €13,478,451)			
China Hydroelectric Corporation - American Depository Shares	1,980,537	1,737,849	2.52
Total investments in listed companies (cost: €13,478,451)		**1,737,849**	**2.52**
Warrants			
Cayman Islands (cost: €1)			
Bluewater Bio International - Warrant 02/11/2016 (Note 2)	1	-	-
Bluewater Bio International - Part 2 Warrant 31/03/2013 (Note 2)	1	1	-
United States of America (cost: €1)			
In-Pipe Technology Company Inc. - Warrants 05/08/2016	74,225	-	-
Total investments in warrants (cost: €2)		**1**	**-**
Total investments at fair value (cost: €57,529,286)		**63,991,141**	**92.97**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Unaudited 30 June 2012 €	Unaudited 30 June 2011 €
Investment Income			
Interest income		532,551	215,000
Other income		-	597
Total investment income		532,551	215,597
Operating Expenses			
Administrator fees		59,863	59,589
Audit fees		36,779	15,827
Fees for non-audit services		-	-
Professional fees		29,353	43,986
Brokerage fees		61,488	40,610
Directors' fees		53,517	47,557
Directors' expenses		4,867	8,900
Due diligence expenses	5	53,329	27,830
Management fees		733,202	876,694
Marketing expense	5	16,214	-
Miscellaneous expenses		147,377	95,183
Total operating expense		1,195,989	1,216,176
Net investment loss		(663,438)	(1,000,579)
Realised and unrealised gain/(loss) from investments and foreign currency			
Net realised loss from foreign currency transactions		(13,062)	(34,605)
Net unrealised gain from foreign currency transactions		6,811	13,556

Net realised loss on investments	(7,645)	-
Change in unrealised depreciation of investments	(16,307,070)	(5,725,476)
	(16,320,966)	(5,746,525)
Net decrease in net assets resulting from operations	(16,984,404)	(6,747,104)
Net investment loss per Ordinary Share (annualised):		
Basic & diluted	(0.0092)	(0.0138)
Net loss per Ordinary Share (annualised):		
Basic & diluted	(0.2344)	(0.0931)
Weighted average number of Ordinary Shares outstanding:		
Basic & diluted	72,464,340	72,464,340

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Unaudited 30 June 2012 €	Unaudited 30 June 2011 €
Movement in net assets resulting from operations			
Net investment loss		(663,438)	(1,000,579)
Net realised loss from foreign currency transactions		(13,062)	(34,605)
Net unrealised gain from foreign currency transactions		6,811	13,556
Net realised loss on investments		(7,645)	-
Net change in unrealised depreciation of investments		(16,307,070)	(5,725,476)
Net decrease in net assets resulting from operations		(16,984,404)	(6,747,104)
Share capital transactions			
Issuance of capital		-	-
Redemption of capital		-	-
Net increase in net assets resulting from share capital transactions		-	-
Net decrease in net assets resulting from operations		(16,984,404)	(6,747,104)
Net assets at beginning of the period		68,831,602	81,535,743
Net assets at end of the period		51,847,198	74,788,639
Net asset value per Ordinary Share		0.7155	1.0321
Number of Ordinary Shares issued and outstanding at end of the period	4	72,464,340	72,464,340

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Unaudited 30 June 2012 €	Unaudited 30 June 2011 €
Cash flows from operating activities		
Decrease in net assets resulting from operations	(16,984,404)	(6,747,104)
Adjustment to reconcile decrease in net assets resulting from operations		

to net cash used in operating activities:

Net realised loss on investments	7,645	-
Net change in unrealised depreciation of investments	16,307,070	5,725,476
Decrease/(increase) in interest receivable	593,739	(50,000)
Increase in receivable from the Manager	(183,030)	-
Increase in prepaid expenses	(22,770)	(472,101)
Decrease in other payables	(56,132)	(30,261)
Purchase of investments	(2,882,554)	(1,725,935)
Sale of investments	3,000,116	-
Net cash used in operating activities	(220,320)	(3,299,925)
Net decrease in cash	(220,320)	(3,299,925)
Cash and cash equivalents at beginning of the period	4,078,716	8,181,382
Cash and cash equivalents at end of the period	3,858,396	4,881,457

CONDENSED INTERIM CONSOLIDATED FINANCIAL HIGHLIGHTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Unaudited 30 June 2012	**Unaudited 30 June 2011**
Per share data[13]		
Net asset value at beginning of the period	0.9499	1.1252
Net investment loss	(0.0092)	(0.0138)
Net realised and unrealised foreign currency loss	(0.0001)	(0.0007)
Net realised loss on investments	(0.0001)	-
Net change in unrealised depreciation of investments	(0.2250)	(0.0786)
Net decrease in net assets resulting from operations	(0.2344)	(0.0931)
Net asset value at end of the period	0.7155	1.0321
Ratios/supplemental data		
Net asset value per share at end of the period	0.7155	1.0321
Total return	(24.68%)	(8.27%)
Number of Ordinary Shares outstanding at end of the period	72,464,340	72,464,340
Weighted average number of Ordinary Shares	72,464,340	72,464,340
Net assets at end of the period (in €)	51,847,198	74,788,639
Average net assets[14](in €)	62,911,391	77,878,370
Ratio of operating expenses to average net assets[15]	(3.80%)	(3.12%)
Ratio of net investment loss to average net assets[15]	(2.11%)	(2.57%)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These Unaudited Condensed Interim Consolidated Financial Statements ("Interim Financial Statements") have been prepared in accordance with accounting principles generally acceptable in the US.

The Company modified its policies and principles related to the valuations of certain investments in preparing these Interim Financial Statements versus those used for the 2011 Annual Report and Audited Consolidated Financial Statements (see below).

The Company's Interim Financial Statements are presented in Euro which is the functional and the reporting currency of the Company.

Basis of Consolidation

Under the Accounting Standard Codification ("ASC") Topic 810, "Consolidation" ("ASC 810"), consolidation by an investment company of a non-investment company investee is not appropriate within the scope of Topic 946 Financial Services - "Investment Companies". An exception to this general principle occurs if the investment company has an investment in an operating company that provides services to the investment company. The condensed interim consolidated financial statements consolidate the financial statements of the three wholly owned subsidiaries of the Company;

- Aqua Resources (In-Pipe) Holdings Limited ("ARIHL"), a Guernsey limited company formed in August 2009;
- Aqua Resources Asia Holdings Limited, an exempt company incorporated in the Cayman Islands formed in October 2008; and
- Cooperative Aqua Netherlands Holdings UA, a Dutch co-operative company formed on 22 March 2010.

ARAHL wholly owns a subsidiary, Robinson Investments Limited, which is an exempt company incorporated in the Cayman Islands formed in October 2008 and Cooperative Aqua Netherlands Holdings UA wholly owns a subsidiary, Aqua Netherlands Holdings BV, which is a Dutch special purpose vehicle formed on 26 March 2010. All intercompany accounts are eliminated on consolidation.

Segment Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being water related investment opportunities.

2. INVESTMENTS

The following tables show an analysis of assets and liabilities recorded at fair value, between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3).

Assets at fair value as of 30 June 2012	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Other market-based observable inputs (Level 2)**	**Unobservable inputs (Level 3)**
Class	**€**	**€**	**€**	**€**
Equities- Listed companies	1,093,702	1,093,702	-	-
Equities- Unlisted companies	19,982,819	-	-	19,982,819
Convertible bonds	26,482,342	-	-	26,482,342
Warrants	1	-	-	1
Total	47,558,864	1,093,702	-	46,465,162

Assets at fair value as of 31 December 2011	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Other market-based observable inputs (Level 2)**	**Unobservable inputs (Level 3)**
Class	**€**	**€**	**€**	**€**
Equities- Listed companies	1,737,849	1,737,849	-	-
Equities- Unlisted companies	32,974,882	-	-	32,974,882
Convertible bonds	29,278,409	-	-	29,278,409
Warrants	1	-	-	1
Total	63,991,141	1,737,849	-	62,253,292

Transfers in or out of level 3

The ASU requires entities to discuss the reasons for these transfers and to disclose the transfers on a gross basis. Transfers into level 3 must be separately disclosed from transfers out of level 3. The ASU also requires that entities disclose their policy for determining when transfers between levels are recognised and provides the following examples of policies;

i. the actual date of the event of change in circumstances that cause the transfer
ii. the beginning of the reporting period
iii. the end of the reporting period

The Company is using the policy of recognising transfers at the beginning of the reporting period.

The Company's policy about the timing of recognising transfers into the hierarchy levels is the same as the policy for recognising transfers out and this policy is applied consistently.

The table below shows a reconciliation of beginning to ending balances for Level 3 investments and the amount of total gains or losses for the period included in earnings attributable to the change in unrealised gains or losses relating to assets and liabilities held at 30 June 2012.

Fair value measurements: A reconciliation of the movement in Level 3 assets is presented below:

	Total	**Equities**	**Bonds securities**	**Warrants**
	€	**€**	**€**	**€**
Opening balance 1 January 2012	62,253,292	32,974,882	29,278,409	1
Purchases of investments	2,882,554	2,882,554	-	-
Sale of investments	(2,401,132)	-	(2,401,132)	-
Realised loss	(211,700)	-	(211,700)	-
Change in net appreciation/ (depreciation)	(16,057,852)	(15,874,617)	(183,235)	-
Closing balance 30 June 2012	46,465,162	19,982,819	26,482,342	1
Total unrealised gains/(losses) at 30 June 2012*	2,511,076	(3,971,265)	6,482,342	(1)

*The total change in unrealised appreciation (depreciation) included in the consolidated statement of operations attributable to level 3 movements still held at 30 June 2012.

The table below shows a reconciliation of beginning to ending balances for Level 3 investments and the amount of total gains or losses for the year included in earnings attributable to the change in unrealised gains or losses relating to assets and liabilities held at 31 December 2011.

Fair value measurements: A reconciliation of the movement in Level 3 assets is presented below:

	Total	**Equities**	**Bonds securities**	**Warrants**
	€	**€**	**€**	**€**
Opening balance 1 January 2011	62,543,677	36,139,685	25,910,809	493,183
Purchases of investments	1,725,936	1,725,936	-	-
Change in net unrealised appreciation/(depreciation)	(2,016,321)	(4,890,739)	3,367,600	(493,182)
Closing balance 31 December 2011	62,253,292	32,974,882	29,278,409	1
Total unrealised gains at 31 December 2011	18,145,628	11,903,440	6,242,189	(1)

Warrants

In November 2011, BBI agreed with the Company to extend the expiry date of the warrants, previously granted to it in 2010, to 2 November 2016 and to adjust the amount as well as the exercise price of such warrants. As a result, the Company now holds warrants to subscribe for a total of 55,366,136 ordinary shares of BBI expiring in November 2016.

The Company also holds warrants (via its subsidiary ARIHL) to subscribe for 74,225 of additional shares in In-Pipe, representing approximately 2 per cent. of the share capital of In-Pipe as at 31 December 2011. These warrants expire in August 2016[16].

Equity Investments

In determining an investment's placement within the fair value hierarchy, the Directors take into consideration the following.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1. These include listed equities. The Directors do not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments also include private equity investments. When observable prices are not available for these securities, the Directors use one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. For fair value measurements using significant other observable inputs (level 2) and significant unobservable inputs (level 3), if there has been a change in the valuation technique, the reporting entity shall disclose that change and the reason for making it. Within level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the Directors in estimating the value of level 3 investments include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalisations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Directors in the absence of market information. The Board has taken an even more conservative view in considering such illiquidity affecting minority stakes, and has adopted the recommendations of PricewaterhouseCoopers, UK, regarding the comparable set of companies and valuation multiples used. The fair value measurement of level 3 investments does not include transaction costs that may have been capitalised as part of the security's cost basis. Assumptions used by the Directors due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Company's results of operations. The actual amounts realised on a disposal of any investments could differ from their carrying values, and these differences could be significant.

As at 30 June 2012, the investments held by the Company which were valued using an estimate of fair value, were as follows:

Ranhill Water Technologies (Cayman) Limited

The Company has valued its holding in RWT using net earnings derived from (i) RWT's latest audited financial statements for the year ended 30 June 2011; and (ii) unaudited interim financial statements for the 9 months ended 31 March 2012, and has applied a multiple drawn from a peer group of similar but publicly listed companies. The Board has taken advice from PriceWaterhouseCoopers, UK on the composition of this peer group and the multiple to be applied. The composition of the peer group is significantly different, and the multiple applied to the earnings of RWT in these interim financial statements, is significantly different from the corresponding data used in previous financial statements of the Company. The Board has then applied a discount of 30% to the valuation to reflect the private, unlisted, nature of RWT. The Directors are of the opinion that the revised basis of calculation has produced the fair value of this investment at the period end.

Waterleau Group

The Company has valued its holding in Waterleau on an "as-converted" basis (assuming full conversion of the convertible bonds into ordinary equity), using an EBITDA figure derived from (i) Waterleau's latest financial statements for the year ended 31 December 2011; (ii) estimated figures for the first half of the year ending 31 December 2012; and (iii) applying a 20 per cent. discount to a range of comparable peer group sector relevant multiples to reflect the relative illiquidity of Waterleau's shares. At the end of June 2012, Waterleau had a net cash position which was added to the value obtained from multiplying the EBITDA to the discounted sector multiple in order to obtain Waterleau's enterprise value at 30 June 2012. The Directors are of the opinion that a market participant considering purchasing the investment would value it using the same valuation methodology excluding the discount. Accordingly the Directors have decided that this represented the fair value of this investment at the period end.

In-Pipe Technology

The Company has valued its holding in In-Pipe by applying an impairment factor of 50 per cent. to the cost of the investment, having regard to the losses sustained by In-Pipe during its start-up phase. This departs from the methodology that was applied in the financial statements of the Company for the year ended 31 December 2012. The Directors are of the opinion that the value of this investment, as at the period end, is fairly stated.

Bluewater Bio International

The Company purchased its equity interest in BBI in a number of tranches during 2009 and subscribed to two loan instruments during the year 2010.

As part of the Ombu transaction (which is described in more detail in Note 7 to these Financial Statements) in which two new investors invested in BBI and which was announced by the Company on 27 March 2012, the Company received a total cash amount of £912,147 by way of partial redemption/repayment of its outstanding secured loans to BBI, the balance of which has been converted into two new classes of shares as follows:

i. £283,011 into a new class of B preferred shares, ranking pari passu with the newly created A preferred shares (save that they are redeemable at any time at the discretion of the board of directors of BBI); and
ii. £2,117,984 into a new class of C preferred shares, ranking behind the A and B preferred shares.

The residual value of the Company's two loan instruments as at 31 December 2011 (after the repayment of cash) which have since been converted into these two new classes of shares has been discounted by 60 per cent. to reflect the illiquid nature of the new shares. The ordinary equity interest retained by the Company, which now declined to 12.12 per cent. of the issued voting capital of BBI (reduced from approximately 17 per cent. which it held immediately prior to the Ombu transaction) and which ranks behind the preferred and other classes of shares in the capital of BBI, has been written down further compared to the value of the ordinary equity interest as presented in the Company's financial statements for the year ended 31 December 2011. The Company also holds warrants in BBI giving it the right to subscribe for additional ordinary shares (see above) which have been valued at nil. The Directors are of the opinion that these values represent the fair values of the Company's investments in BBI.

As at 30 June 2012 the investment held by the Company which is based on quoted market price (Level 1) was:

China Hydroelectric Corporation

The Company owns approximately 3.67 per cent. of CHC's ordinary shares (representing 1,980,537 ADS) and the appropriate valuation of the Company's investment in CHC is based on the closing price on the New York Stock Exchange on 30 June 2012 of US$0.7 per ADS.

3. OTHER PAYABLES

	30 June 2012	**31 December 2011**
	€	**€**
Administration fees	89,794	60,137
Audit fees	20,000	40,000
Directors' fees	-	26,954
Other accrued expenses	9,144	47,979
	118,938	175,070

4. SHAREHOLDERS' EQUITY

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value which are denominated in Euro.

The holders of Ordinary Shares are entitled to:

- receive and participate in any dividends or other distributions out of the profits of the Company available for dividend or distribution;

- the right to the surplus assets remaining after payment of all the creditors of the Company in the case of winding up; and

- the right to receive notice of, and to attend and vote at, general meetings of the Company and each holder of Ordinary Shares being present in person or by attorney at a meeting upon a show of hands has one vote and upon a poll each such holder present in person or by proxy or by attorney has one vote in respect of each share held by him.

Under the Company's Articles of Incorporation, the Company may purchase its own Ordinary Shares in accordance with the Company (Guernsey) Law, 2008 (the "Guernsey Company Law"). The Company may hold any Ordinary Shares purchased by it whether out of distributable profits or the proceeds of a fresh issue of Ordinary Shares as treasury shares in accordance with the

Guernsey Company Law. Shares held in treasury do not carry the rights as set out above in respect of Ordinary Shares.

Issued capital

30 June 2012	**Number of Ordinary Shares**	**€**
Ordinary Shares at 1 January 2012	72,464,340	70,030,004
Ordinary Shares outstanding at 30 June 2012	72,464,340	70,030,004

No shares were issued or repurchased by the Company during the period.

31 December 2011	**Number of Ordinary Shares**	**€**
Ordinary Shares at 1 January 2011	72,464,340	70,030,004
Ordinary Shares outstanding at 31 December 2011	72,464,340	70,030,004

No shares were issued or repurchased by the Company during the year ended 31 December 2011.

5. RELATED PARTIES

At 30 June 2012, the Manager owned 3,685,000 (31 December 2011: 3,685,000) Ordinary Shares of the Company.

At the time of the Company's initial investments in In-Pipe and Waterleau, Ms. Valerie Daoud Henderson, an employee of the Manager's group in the role of Head of Europe Environment Group, became a director of each of those companies.

At the time of the Company's initial investment in RWT, Mr. Jui Kian Lim, an employee of the Manager's group in the role of Head of Asia Environment Group, became a director of that company.

At the time of the Company's initial investment in Waterleau, Ms. Lydia Whyatt, an employee of the Manager's group in the role of Managing Director, Environment Group, became a director of that company.

During the period the Company paid €53,517 (30 June 2011: €47,557) for directors and officers liability policies for the Directors.

During the period the Company paid €733,202 (30 June 2011: €876,694) in Management Fees and will be reimbursed €285,766 (30 June 2011: €Nil) by the Manager for the difference between the actual base fee and the amount billed during the year ended 31 December 2011.

The following expenses are also paid by the Manager on behalf of the Company and were reimbursed:

	30 June 2012	**30 June 2011**
	€	**€**
Due diligence expenses	53,329	27,830
Marketing expenses	16,214	-
Total	69,543	27,830

A subsidiary of the Manager sublet office space to an investee company. The sub-lease commenced on 1 September 2010 and ended on 13 April 2012. The annual rent under this agreement was £151,900 (approximately €176,861). This agreement was completed at arm's length.

There have been no related party transactions for the purposes of the UKLA's Listing Rules during the period.

The Directors' interests in the share capital of the Company at 30 June 2012 and 31 December 2011 were:

30 June 2012	**Number of Ordinary Shares**
Hasan Askari	62,500

31 December 2011	**Number of Ordinary Shares**
Hasan Askari	62,500

Andrea Rossi	18,750

6. COMPARATIVE FIGURES

Comparative figures used in these Interim Financial Statements are for the period from 1 January 2011 to 30 June 2011 for the Condensed Interim Consolidated Statement of Operations, the Condensed Interim Consolidated Statement of Changes in Net Assets, the Condensed Interim Consolidated Statement of Cash Flows and the Condensed Interim Consolidated Financial Highlights. The comparative figures used for the Condensed Interim Consolidated Statement of Assets and Liabilities and the Condensed Interim Consolidated Schedule of Investments are at the year ended 31 December 2011.

7. SIGNIFICANT EVENTS DURING THE PERIOD

On 17 January 2012, Mr. Andrea Rossi resigned as a Director of the Company. On 2 February 2012, Mr. Fergus Dunlop was appointed as an independent non-executive director. On 20 June 2012, Mr. Jonathan Hooley resigned as a non-executive director of the Company.

On 3 February 2012, J.P. Morgan Asset Management Holdings Inc. through its J.P. Morgan Specialist Fund, J.P. Morgan Special Opportunities Fund and J.P. Morgan Private Equity Limited (together "J.P. Morgan"), announced that it had purchased 9,979,800 Ordinary Shares representing 13.77 per cent. of the issued Ordinary Shares on 27 January 2012.

On 27 March 2012, the Company announced that BBI had raised additional investment in a financing round led by Ombu Group and Hermes GPE Environmental Innovation Fund LP. The transaction includes the recapitalisation of BBI by way of a subscription by the new investors for a new class of A preferred shares in the capital of BBI, and partial repayment of certain debt held by the Company and other debt holders in BBI.

As part of the transaction, the Company received a total cash amount of £912,147 by way of partial redemption/repayment of its outstanding secured loans to BBI, the balance of which has been converted into two new classes of shares as follows:

i. £283,011 into a new class of B preferred shares, ranking pari passu with the A preferred shares (save that they are redeemable at any time at the discretion of the board of directors of BBI);
ii. £2,117,984 into a new class of C preferred shares, ranking behind the A and B preferred shares.

The Company retains an ordinary equity interest in BBI, acquired in a number of tranches during 2009, which now represents 12.12 per cent. of the issued voting capital of BBI (reduced from approximately 17 per cent. which it held immediately prior to this financing round) and ranks behind the preferred and other classes of shares in the capital of BBI. The Company also holds warrants in BBI giving it the right to subscribe for additional ordinary shares.

8. SUBSEQUENT EVENTS

On 20 June 2012, Mr. Charles Parkinson was appointed as an independent non-executive director, and Chairman of the Audit Committee, with effect from 1 July 2012.

On 12 July 2012, J.P. Morgan announced that it had purchased an additional 1,392,126 shares in the Company bringing its total ownership to 11,371,926 shares in the Company and representing 15.69 per cent. of the issued Ordinary Shares on 5 July 2012.

On the 16 August 2012 the Administrator informed the Company it would be terminating the administration agreement. In line with the administration agreement, the Administrator has given 90 days notice and the agreement will terminate on the 14 November 2012.

On 21 August 2012, ARAHL as shareholder of CHC, acting together with certain other shareholders of CHC representing collectively approximately 40.8 per cent. of CHC's issued share capital, sent a joint letter to the board of directors of CHC setting out certain concerns regarding the overall management of CHC and requiring the convening of an extraordinary general meeting of CHC to consider certain changes to the CHC board of directors, consisting of the removal and replacement of five out of seven of its existing directors. The replacement directors would each be representatives of the like-minded shareholders, with an independent director and the President of CHC remaining. In this regard, the ARAHL is nominating Mr. Jui Kian Lim, an employee of the Manager's group, to the CHC board. The CHC EGM has been requisitioned for 28 September 2012, in Beijing, China for shareholders to consider resolutions connected with the proposals. As a result of acting with these other shareholders in sending the joint letter to requisition the CHC EGM, under the United States Securities Exchange Act, the like-minded shareholders are considered to form a 'consortium' as they have formed together to 'vote' the shares in a certain way. As such, they were required to jointly file a Form Schedule 13D with the SEC, which regulates CHC (since it is listed on the New York

Stock Exchange), which form was also filed with the SEC on 21 August 2012.

Footnotes:

[1] Closing share price at 30 June for each Period.

[2]Audited figures for the years ended 30 June 2009, 2010 and 2011.

[3]Net Profit is calculated before currency translation differences.

[4] Interim figures for the nine months ending 31 March 2012 are unaudited estimates.

[5]CHC's data.

[6]CHC's data.

[7]Audited figures for the years ended 31 December 2009, 31 December 2010 and 31 December 2011. Source: Capital IQ

[8]Audited figures for the years ended 31 December 2009, 2010 and 2011.

[9] Global Water Intelligence, "Water for Food & Beverage", April 2012.

[10]Audited figures for the years ended 31 December 2009, 2010 and 2011.

[11]BOD: Biochemical Oxygen Demand is the amount of dissolved oxygen needed by aerobic biological organisms in a body of water to break down organic material present in a given water sample at certain temperature over a specific time period.

[12]Sources: Global Water Intelligence, April 2012 and Wall Street Journal, 21 June 2012, deals since May 2011.

[13]Basic weighted average per share data

[14]Average net assets calculated using the quarterly net assets

[15]Ratios based on reporting periods of less than twelve months have been annualised

[16]The expiry date of the In-Pipe warrants was erroneously reported to be June 2012 in the 2010 Annual Report as well as in the 2011 Interim Report.

END

IR ZMGZRDLLGZZM