

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate financial adviser authorised under the Financial Services and Markets Act 2000, or from another appropriately authorised and independent financial adviser if you are in a territory outside of the United Kingdom.

This document comprises a prospectus relating to Impax Asian Environmental Markets plc (the “Company”) prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 in order to make an offer of transferable securities to the public and to admit the transferable securities to trading on the Main Market of the London Stock Exchange. This document has been approved by and filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. This document and the information herein relates expressly to the C Shares now being issued, the Ordinary Shares to be issued on Conversion, the Subscription Shares to be issued immediately following Conversion and the Ordinary Shares to be issued on exercise of the Subscription Share Rights by Subscription Shareholders. This document also sets out information in relation to the 10,449,000 Tap Shares issued between October 2009 and the date of this document.

If you sell or have sold or otherwise transferred all of your Shares in the Company before the date upon which the Shares were marked “ex” the entitlement to the Open Offer by the London Stock Exchange, please forward this document and the accompanying Application Forms and the White Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be forwarded or transmitted into any jurisdiction where to do so might constitute a violation of local securities laws or regulations including, but not limited to, Australia, Canada, Japan, the Republic of South Africa or the United States. If you sell or have sold or otherwise transferred only part of your registered holding of Shares in the Company before the date upon which the Shares were marked “ex” the entitlement to the Open Offer by the London Stock Exchange, please immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected and, in the case of Qualifying Non-CREST Shareholders, please refer to the instructions regarding split applications set out in the Non-CREST Application Form. If the Shares which were sold or transferred were held in uncertificated form, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the appropriate number of Open Offer Entitlement to the purchaser or transferee.

IMPAX ASIAN ENVIRONMENTAL MARKETS PLC

(incorporated in England and Wales under the Companies Act 1985 with registered no. 7016550 and registered as an investment company under section 833 of the Companies Act 2006)

**Placing, Open Offer and Offer for Subscription
with a target size of up to 200 million C Shares
at an Issue Price of 100 pence per share,
Bonus Issue of Subscription Shares to C Shareholders
and Notice of General Meeting**

Sponsor, Bookrunner and Joint Placing Agent

Collins Stewart Europe Limited

Joint Placing Agent

Kepler Partners LLP

Joint Placing Agent

Collins Stewart Europe Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as sponsor to the Company and is acting for no-one else in connection with the Placing, Open Offer, Offer for Subscription and the contents of this document, and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Collins Stewart Europe Limited nor for providing advice in connection with the Placing, Open Offer, Offer for Subscription and the contents of this document or any other matter referred to herein. Collins Stewart Europe Limited is not responsible for the contents of this document. This does not exclude or limit any responsibilities which Collins Stewart Europe Limited may have under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder.

Applications have been made to the UK Listing Authority for the C Shares now being offered to be admitted to the Official List, and to the London Stock Exchange for the C Shares to be admitted to trading on the London Stock Exchange’s Main Market for listed securities. It is expected that admission of the C Shares will become effective and dealings in those shares will commence on 27 October 2010.

Applications will be made to the UK Listing Authority for the Ordinary Shares to be issued on Conversion and the Subscription Shares to be issued immediately following Conversion to be admitted to the Official List, and to the London Stock Exchange for those Shares to be admitted to trading on the London Stock Exchange’s Main Market for listed securities. Admission of those Shares will become effective and dealings in them will commence by no later than 28 February 2011.

Persons receiving a copy of this document are directed to the section headed “Risk Factors” on pages 9 to 14 of this document which sets out the principal risk factors associated with an investment in the Company.

This document should be read in its entirety before making any application for C Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the articles of association of the Company.

The procedure for Shareholders to participate in the Open Offer and the Excess Application Facility is set out on pages 92 to 104 of this document and in the Open Offer Application Form enclosed with this document. The procedure for application by new investors to participate in the Offer for Subscription is set out in the Offer for Subscription Application Form attached to this document. To be valid, Application Forms must be completed and returned with the appropriate remittance so as to reach the Receiving Agent, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and, in any event, no later than 1.00 p.m. on 15 October 2010 for application under the Offer for Subscription, and 11.00 a.m. on 19 October 2010 for application under the Open Offer.

The Placing will be marketed to institutional and sophisticated investors. The Offer for Subscription will be open to members of the public in the UK. Typical investors in the Company are expected to be UK and European based asset and wealth managers regulated or authorised by the FSA or the relevant local regulator, retail private clients who will invest through brokers, and private individuals.

The Company has not been and will not be registered under the United States Investment Company Act 1940, as amended. None of the C Shares, Ordinary Shares or Subscription Shares have been or will be registered under the United States Securities Act 1933, as amended, or the relevant securities laws of any state of the United States, or under any other relevant securities laws of Australia, Canada, Japan or the Republic of South Africa, and, accordingly, the Placing, Open Offer and Offer for Subscription are not being made, and none of the Shares may be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States, Australia, Canada, Japan or the Republic of South Africa. The distribution of this document in certain jurisdictions may be restricted by law. No action has been taken by the Company that would permit an offer of the Shares or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the United Kingdom should read the paragraph entitled "Overseas Shareholders" on page 25 of this document.

If you are an existing Shareholder, your attention is drawn to the Notice of General Meeting of the Company to be held at 10.30 a.m. on 26 October 2010 at 145-157 St John Street, London EC1V 4RU, which is set out on pages 88 to 91 of this document. You will find enclosed with this document a White Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the White Form of Proxy. To be valid, the White Form of Proxy must be completed, signed and returned in accordance with the instructions printed thereon and either deposited at the Company's Registrars, Capita Registrars PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 10.30 a.m. on 24 October 2010 or lodged using the CREST Proxy Voting Service. For further details please see the notes to the Notice of General Meeting which forms part of this document. The appointment of a proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so. If you have any questions relating to this document, completion and return of the Application Forms and/or the White Form of Proxy, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice. For legal reasons, Capita Registrars will not be able to provide advice on the merits of the Proposals or give financial advice.

The information contained in this document has been prepared solely for the purpose of the Proposals and Admission and is not intended to be relied upon by any subsequent purchasers of Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

1 October 2010

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SUMMARY

This summary should be read as an introduction to this document. Any decision to invest in the C Shares should be based on consideration of the full text of this document as a whole. If you bring a claim relating to the information contained in this document before a Court you might under the national legislation of the EEA States have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

Introduction

The Company is a conventional investment trust which was launched on 23 October 2009. The Company has Ordinary Shares and Subscription Shares in issue which are admitted to the Official List and to trading on the London Stock Exchange's Main Market.

The Company is proposing to raise up to £200 million before expenses by a Placing, Open Offer and Offer for Subscription of C Shares (the "Issue"). The Issue involves a Bonus Issue of Subscription Shares to holders of New Ordinary Shares arising on Conversion of their C Shares.

Background to and reasons for the Issue

The Company raised gross proceeds of £104.5 million on launch. Since launch, the Company has performed well in terms of both the NAV per Ordinary Share and the price per Ordinary Share, which has generally traded at a premium to NAV since 23 October 2009. As at 29 September 2010, the Ordinary Shares were trading at a 2.41 per cent. premium to NAV per Share (unaudited). The average premium on the Ordinary Shares to NAV per Share (unaudited) since 23 October 2009 is 1.96 per cent.

Market demand for the Company's shares has continued to be strong and a further 10,449,000 Ordinary Shares have been issued at a premium to NAV since launch. As a result, the Company is unable to issue any further Tap Shares for the time being pursuant to its existing shareholder authorities. Due to the Company's strong investment performance to date, the Board believes that there continues to be significant demand for Ordinary Shares from investors who are unable to purchase sufficient shares in the secondary market. The Board is therefore taking the opportunity to issue further shares by offering C Shares to Qualifying Shareholders and new investors.

The Proposals involve:

- a Placing, Open Offer and Offer for Subscription of C Shares to raise up to £200 million before expenses;
- a Bonus Issue of Subscription Shares to holders of New Ordinary Shares arising on Conversion; and
- the adoption of new Articles to provide for the rights and restrictions attaching to the C Shares.

The Directors believe that the Proposals have the following principal benefits:

- Shareholders (as a priority through the Open Offer) and new investors, who might otherwise be unable to purchase sufficient Shares due to strong demand in the secondary market, will be able to subscribe for Shares in the Company;
- the market capitalisation of the Company will increase following the Issue and it is expected that the liquidity of the Ordinary Shares will be enhanced through a wider shareholder base;
- the Issue will increase the size of the Company and enable it to spread its fixed operating expenses over a larger number of Ordinary Shares; and
- the increase in net assets will enhance the Company's profile.

The Issue

The Company is seeking to raise up to £200 million before expenses pursuant to the Placing, Open Offer and Offer for Subscription by the issue of up to 200,000,000 C Shares which will convert into Ordinary Shares. The Issue is not being underwritten and will not proceed unless aggregate subscriptions are received which represent a minimum of £40 million (or such lesser amount as the Company and Collins Stewart may agree). The Directors have reserved the right, in consultation with Collins Stewart, to increase the size of the Issue up to 250 million C Shares, if overall demand exceeds 200 million C Shares.

Under the Open Offer, Qualifying Shareholders are entitled to apply to subscribe for up to an aggregate amount of 135,849,000 C Shares *pro rata* to their holdings of Ordinary Shares and/or Subscription Shares on the following basis:

1 C Share for every 1 Existing Ordinary Share

and

1 C Share for every 1 Existing Subscription Share

held at the Record Date (being close of business on 29 September 2010).

The balance of C Shares to be made available under the Issue, being 64,151,000 C Shares, plus any C Shares not taken up pursuant to the Open Offer, will be made available for subscription under the Excess Application Facility, the Offer for Subscription and the Placing.

Conversion

The C Shares will convert into Ordinary Shares, which will rank *pari passu* in all respects with the Existing Ordinary Shares, on the basis set out in this document on the Conversion Date, which will not be later than 28 February 2011.

Bonus Issue of Subscription Shares

Upon Conversion, holders of New Ordinary Shares will receive a Bonus Issue of Subscription Shares on the basis of the then prevailing Subscription Share Ratio. Subscription Shareholders have the right, on any Business Day up to and including 31 October 2014, to subscribe for all or any of the Ordinary Shares to which their Subscription Shares relate at a price of 100 pence per Ordinary Share.

Investment objective and policy

The Company's investment objective is to generate long-term capital growth through investment in a diverse portfolio of companies in the markets for cleaner or more efficient delivery of basic services of energy, water and waste in the Asia Pacific Region. To be eligible for investment, such companies must have at least 20 per cent. of their turnover, profits or invested capital in these markets.

There are no minimum or maximum limits on the number of investments in the portfolio but it is expected that the portfolio will comprise shares and securities in 40 to 75 Asia Pacific Environmental Companies. The Company's investments are denominated in a variety of currencies. The Directors do not currently, and do not intend to, hedge any of the Company's currency exposure. The Company intends to be fully invested during normal market conditions but may hold up to 20 per cent. of NAV in cash on deposit or in short-term money market instruments (including gilts and treasury bills) during periods when the Manager believes markets are overvalued and expects them to fall.

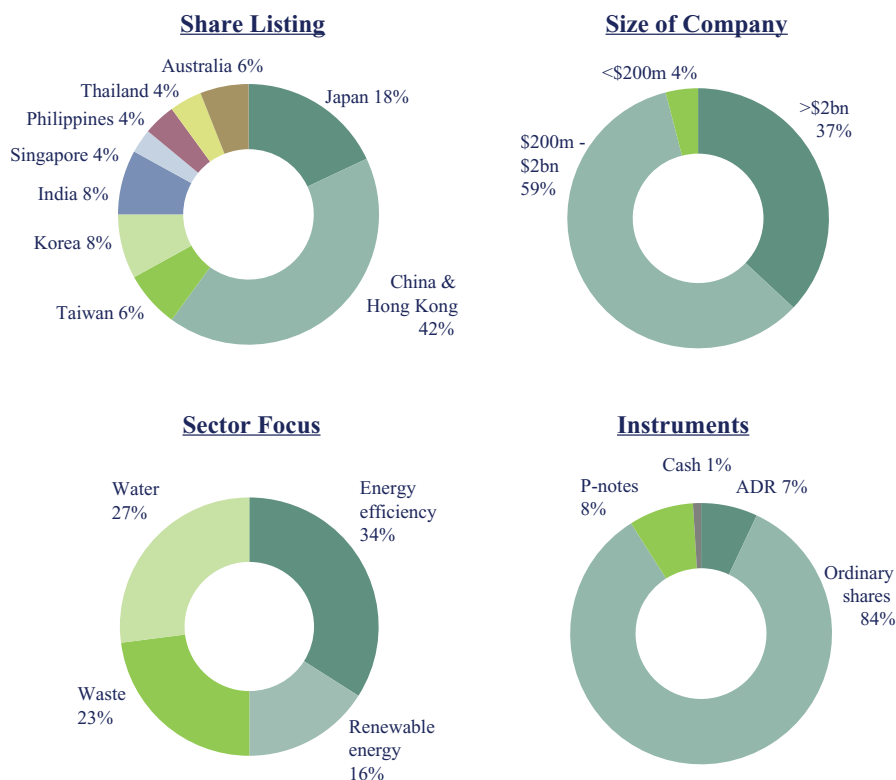
Manager

The Company's investment manager is Impax Asset Management Limited, which provides fund management and advisory services within the Environmental Markets sector. The Manager is a subsidiary of Impax Asset Management Group plc, an investment management and financial advisory

company, the shares of which are quoted on the AIM market of the London Stock Exchange. As at 31 August 2010, the Manager was asset manager or investment adviser in respect of assets totalling approximately £1,715 million for institutional and private investors across a range of funds.

Company Portfolio

As at the date of this document, the Company is invested in 55 companies, which is within the expected range of investments in its portfolio. The Company's portfolio is broken down as follows:



	<i>Security Company</i>	<i>Business</i>	<i>Country</i>	<i>Holding Price</i>	<i>Value</i>	<i>% of total net assets</i>
1	Xinyi Glass Holdings Co Ltd	Energy efficiency glass	China	12,315,800	4,823,779	3.39%
2	ENN Energy Holdings	Natural natural gas distributor	China	2,353,400	4,272,765	3.00%
3	Lee & Man Paper	Paper recycling	China	7,703,400	3,985,246	2.80%
4	China Longyuan Power	Wind IPP	China	6,002,400	3,884,021	2.73%
5	Delta Elect Thai-Foreign	Efficient power supplies	Thailand	6,530,900	3,766,442	2.65%
6	Campbell Brothers Ltd	Environmental testing	Australia	176,317	3,583,978	2.52%
7	Sound Global Ltd	Water treatment	China	7,776,000	3,367,692	2.37%
8	Delta Electronics Inc	Efficient power supplies	Taiwan	1,255,500	3,300,715	2.32%
9	Yingde Gases Group	Industrial gases	China	5,310,500	3,249,973	2.28%
10	Fook Woo Group	Paper recycling	China	14,683,100	3,151,067	2.21%
11	Thermax (PN-MOST)	Power generation equipment	India	281,100	3,132,854	2.20%
12	China High Precision	Industrial automation	China	7,279,500	3,035,326	2.13%
13	Renesola Ltd-ADR	Solar power equipment	China	394,800	3,034,424	2.13%
14	IVRCL Infra (PN-MOST)	Water infrastructure	India	1,255,200	2,899,872	2.04%
15	Yamatate Corp Buildings	energy efficiency	Japan	171,900	2,810,993	1.98%
16	Jain Irrigation (PN-CLSA)	Irrigation	India	161,600	2,749,093	1.93%
17	Thai Tap Water-Foreign	Water utilities	Thailand	22,850,000	2,730,552	1.92%
18	Sims Metal Manag-Spon ADR	Value added waste	Australia	246,000	2,728,661	1.92%
19	LG Chem Ltd	Chemicals and efficient batteries	South Korea	14,700	2,704,485	1.90%
20	Daikin Industries Ltd	Energy efficient air conditioners	Japan	114,600	2,680,854	1.88%
21	Chroma Ate Inc	Automation and UPS	Taiwan	1,771,929	2,679,935	1.88%
22	Wasion Group Holdings	Smart meters	China	5,270,100	2,524,294	1.77%
23	Hollysys Automation Tech	Industrial and rail automation	China	361,400	2,510,008	1.76%
24	Energy Development Corp	Geothermal IPP	Philippines	27,706,200	2,498,407	1.76%
25	Trina Solar	Solar PV Manufacturer	China	134,600	2,460,210	1.73%
	Top 25 holdings				78,565,644	55.22%
	Other holdings				58,253,878	40.95%
	Total holdings in companies				136,819,521	96.17%
	Other net assets				5,448,479	3.83%
	Grand Total				142,268,000	100.00%

Investment Opportunity

The Directors believe that Asia Pacific Environmental Companies are well positioned to supply rapidly expanding demand for environmental products and services in the Asia Pacific Region as well as in other regions of the world, and that an actively managed portfolio of Asia Pacific Environmental Companies has the potential to out-perform both global equities and also the basket of general equities in the Asia Pacific Region over the medium to long term.

The valuation of the Company's portfolio remains attractive at a price-earnings ratio of 12.6x on estimated forward 12 months' earnings to August 2011 (compared to 16.7x at launch). The estimated earnings per share 12 months' forward growth rate for the portfolio has also increased, to 30 per cent. as at August 2010 (compared to 21 per cent. at launch).

Investment Performance

From the Company's launch on 23 October 2009 to 31 August 2010, the Company's undiluted NAV per share rose by 16.7 per cent. This compares favourably with three relevant indices. Over the same period, the MSCI AC Asia Pacific ex-Japan Index ("MXAPJ") rose by 8.9 per cent. in Sterling terms, while the FTSE Environmental Opportunities Asia Pacific ex-Japan Index ("EOAX") and the FTSE Environmental Opportunities Japan Index ("EOJP") rose by 11.5 per cent. and fell by 0.4 per cent. respectively.

Since launch, the Company has performed well in terms of both the NAV per Ordinary Share and its share rating with the Ordinary Shares generally trading at a premium to NAV. As at 29 September 2010, the Ordinary Shares were trading at a 2.41 per cent. premium to NAV per Share (unaudited). The average premium on the Ordinary Shares to NAV per Share (unaudited) since 23 October 2009 is 1.96 per cent.

Investment Outlook

The Directors believe, based on advice from the Manager, that the key drivers of Asia Pacific Environmental Markets, namely tightening environmental policy, significant infrastructure expansion and rapid economic growth, are continuing to develop well.

The Manager remains very positive on key investment themes including the expansion of domestic Asian water, waste and alternative energy infrastructure projects, Asian strength in low cost manufacturing of environmental products and the transition of companies from traditional industries, on lower valuations, into environmental sectors.

Conditions

The Issue is conditional upon, *inter alia*, the Placing Agreement between Collins Stewart and the Company becoming unconditional and not being terminated, Admission of the C Shares and the passing of the Resolutions set out in the Notice of General Meeting.

New Articles of Association

A special resolution will be proposed at the General Meeting to adopt new Articles in substitution for the existing Articles to provide for the rights and restrictions attaching to the C Shares and to update the Company's existing Articles to take account of the coming into force of the last parts of the 2006 Act.

Working Capital

The Company believes that the working capital available to it is sufficient for its present requirements, that is for at least the next twelve months from the date of this document.

Summary Risk Factors

The principal material risk factors that are known to the Directors are those set out below. If any or a combination of these risks occurs, the financial condition, prospects and price of the Company's Shares could be materially or adversely affected. Each risk factor should therefore be read carefully. They are not set out in any order of importance or priority.

- The value of an investment in the Company may fluctuate and can go down as well as up, and the supply and demand of Shares can mean that the share price may fall when the NAV of the Company rises.
- Although it is intended that the Company will be managed so as to qualify as an investment trust and retain such status, there is no guarantee that such status will be maintained.
- The past performance of the Company and/or the Manager is not an indication of future performance.
- The Company's investments will generally be traded on the main markets in the Asia Pacific Region; a significant fall and/or a prolonged period of decline in these markets may adversely impact the performance of the Company.
- Investors should be aware that certain countries in the Asia Pacific Region are subject to rapid change and that the information set out in this document may therefore become outdated relatively quickly.
- The Company may invest in companies with small market capitalisation, which may be subject to greater valuation uncertainties and liquidity risks than larger capitalisation securities.
- There can be no guarantee that the investment objective of the Company will be met.
- The Company may borrow up to 10 per cent. of its NAV; due to the gearing effect of any such borrowings, Shareholders would, to an exaggerated extent, suffer from any underperformance of the Company's assets compared to the cost of any borrowing both in terms of NAV and market price depreciation.
- The loss or unavailability (whether temporary or permanent) of the full services of the Manager or the Investment Adviser could have a material adverse effect on the business, financial condition or results of operations of the Company.
- The Manager may be involved in other investment activities which could give rise to a conflict of interest in allocating investments to the Company.
- Any change in the Company's tax status or in taxation legislation or accounting practices could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.
- The Company invests in securities that are not denominated in pounds Sterling, the base currency of the Company. The movement of exchange rates between Sterling and any other currencies in which the Company's investments are denominated or its borrowings drawn down may have an unfavourable effect on the Company.
- The Company may invest in equity linked notes or other derivatives providing economic exposure to underlying securities when it is considered to be in the best interests of the Company or is impracticable to invest directly in those securities. The Company will be exposed to risk of loss in the event of default or insolvency of any counterparty to any such derivative, the risk of adverse price movements of those derivatives as compared with the underlying securities, and the risk that an active market for such derivatives may not exist when the Company seeks an exit.
- Some of the Company's investments may be subject to exchange controls or withholding taxes, which may reduce the income otherwise receivable by the Company.
- Changes in commercial and legal conditions may adversely affect the Company's performance.

RISK FACTORS

The Directors consider the matters set out below to be those which potential investors should consider as the material risks specific to an investment in the Shares, being all material and known risks in relation to the Company and the Environmental Markets Sector in the Asia Pacific Region. Additional risks and uncertainties not currently known to the Company, or that the Company deems to be immaterial, may also have an adverse effect on its business. Prospective investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing.

General

In the event of a winding up of the Company, the Shares will rank behind any liabilities of the Company and therefore any return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of creditors.

The value of an investment in the Company, and any income derived from it, may fluctuate and can go down as well as up. There can be no guarantee that the value of the Company's investments will increase and investors may not get back the full value of their investment.

Although it is intended that the Company will be managed so as to qualify as an investment trust and retain such status, there is no guarantee that such status will be maintained.

Share Rating

The share price of the Shares is likely to fluctuate and may represent a discount or a premium to the NAV per C Share or Ordinary Share respectively. This discount or premium is itself variable as conditions for supply and demand for the Shares change. This can mean that the share price can fall when the NAV rises and *vice versa*.

Share Prices

The published market prices of the Shares will be, typically, their middle market prices. Due to the potential difference between the middle market price of a share and the price at which a share can be sold, there is no guarantee that the realisable value of the Shares will reflect their respective published market prices.

The market price of the Ordinary Shares may reflect the actual or potential impact of any dilution at a time when the undiluted net asset value per Ordinary Share is greater than the Subscription Price and the exercise of any subscription rights conferred by the Subscription Shares would cause the net asset value per Ordinary Share to be diluted.

The Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable as well as favourable, in the market price of the Subscription Shares. Any Subscription Shares not exercised on or before the Final Subscription Date may lapse without any payment being made to the holders of such Subscription Shares.

Past Performance

The past performance of the Ordinary Shares or other investments managed by the Manager or its associates is not a reliable indication of the future performance of the Shares.

Dilution

The issue of Ordinary Shares upon Conversion of the C Shares will dilute the percentage shareholding of any Existing Ordinary Shareholder that does not subscribe for an equivalent proportion of the C Shares being issued pursuant to the Issue. There will, however, be no dilution of the net asset value of Existing Ordinary Shares upon Conversion as the basis upon which the C Shares will convert into

Ordinary Shares is such that the number of New Ordinary Shares to which the C Shareholders will become entitled will reflect the respective undiluted net assets attributed to the Existing Ordinary Shares and to the C Shares, as further described in Part II of this Prospectus.

On each occasion that the Subscription Share Rights are exercised, this will dilute the holding of any Ordinary Shareholders who do not exercise a corresponding proportion of the Subscription Share Rights attaching to their Subscription Shares or who have sold their Subscription Shares and therefore cannot exercise the Subscription Share Rights attaching thereto.

Subscription Shares

The market price and the realisable value of the Subscription Shares, as well as being affected by the value of the underlying Ordinary Shares, will also take into account supply and demand for the Subscription Shares, market conditions and general investor sentiment. The published market price of the Subscription Shares will be, typically, their middle market price. Due to the potential difference between the middle market price of the Subscription Shares and the price at which the Subscription Shares can be sold, there is no guarantee that the realisable value of the Subscription Shares will reflect their published market price.

The Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable as well as favourable, in the market price of the Subscription Shares. The intrinsic value of a Subscription Share at any time will be the prevailing market price of an Ordinary Share less the Subscription Price payable per Subscription Share and, as such, it is expected to rise or fall depending on whether the price of an Ordinary Share rises or falls. The market price of a Subscription Share may be higher or lower than the intrinsic value price of a Subscription Share, reflecting the potential geared returns available from an investment in the Subscription Shares. The market price of the Subscription Shares will be determined by market forces and there is no guarantee that they will have a market value. Any Subscription Shares not exercised on or before the Final Subscription Date will lapse without any payment being made to the holders of such Subscription Shares unless a trustee appointed by the Company determines that the net proceeds of sale of the Ordinary Shares that would be allotted on the exercise of such Subscription Shares after deduction of all the costs and expenses of sale would exceed the costs of subscription.

Risk factors relating to the Asia Pacific Region

Investors in emerging economies should be aware that certain countries in the Asia Pacific Region are subject to rapid change and that the information set out in this document may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate.

Generally, investment in emerging markets is suitable only for investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment. In particular, in certain countries in which the Company invests or is proposing to invest:

- (a) liquidity and settlement risks may be greater than in Western Europe and the United States;
- (b) accounting standards may not provide the same degree of shareholder protection as would generally apply internationally;
- (c) national policies may restrict the investment opportunities available to foreign investors, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests;
- (d) the fiscal and monetary systems remain relatively undeveloped and this may affect the stability of the economic and financial markets of these countries;
- (e) substantial limitations may exist with respect to the Company's ability to repatriate investment income, capital or the proceeds of sales of securities;

- (f) brokerage commissions, custody fees and taxes may be higher than in Western Europe or the United States;
- (g) assets may be subject to increased political and/or regulatory risk;
- (h) the economic and legal structures in place may be less diverse and mature, and political and regulatory systems may be less stable, than those of more developed countries;
- (i) corporate governance procedures in certain countries in the Asia Pacific Region may be less extensive or not applied as rigorously due to the associated costs or business customs of a country; and
- (j) social and religious instability, crime and corruption may adversely affect performance.

While the Manager takes these factors into consideration in making investment decisions, there can be no assurance that the Company will be able to avoid these risks.

The Company's portfolio comprises investments in Asia Pacific Environmental Companies. Most of the companies in which the Company invests are located in and conduct their business in the Asia Pacific Region. Accordingly, performance of the Company's investments and the results of its operations are substantially dependent on the economic and political conditions prevailing in the Asia Pacific Region. Certain countries in the Asia Pacific Region have less liquid and developed securities markets than the United States and Western Europe. Given that some of the organised securities markets in the Asia Pacific Region have been established relatively recently, the procedures for settlement, clearing and registration of securities transactions may be subject to legal uncertainties, technical difficulties and delays. Investing in industries in the Asia Pacific Region carries some particular risks:

- governmental liberalisation of basic services and increased environmental legislation may not occur or may not occur at the rate or in the ways anticipated;
- the costs of technology in environmental markets may not continue to fall or may not maintain price competitiveness;
- the performance of investments in Asia Pacific Environmental Companies are likely to be adversely affected if industrial and utility capital spending by their customers were to decrease or be deferred in turn affecting energy prices;
- the Company's portfolio may include newly established companies and companies whose future is dependent on widespread adoption of their products and services; and
- the Company's investments will be traded on the main markets in the Asia Pacific Region and a significant fall and/or a prolonged period of decline in these markets would adversely impact the performance of the Company. This could be triggered by unfavourable developments or events within or outside of the Asia Pacific Region. Poor performance or underperformance may also result from the Manager's country and/or stock selection or the market rating of the Company not reflecting good performance.

Furthermore, the performance of some companies in the Asia Pacific Region in which the Company invests may be adversely affected by changes in applicable law and regulation.

Although significant developments have occurred in recent years, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in some countries in the Asia Pacific Region. In particular, legal protections against market manipulation and insider trading are less well-developed in some countries in the Asia Pacific Region, and less strictly enforced, than in the United States and Western European countries and existing laws and regulations may be applied inconsistently with consequent irregularities in enforcement. In addition, less information relating to the proposed target entities and certain of the investments may be publicly available to investors in securities issued or guaranteed by such entities than is available to investors in entities organised in the United States or Western European countries.

Equities that are listed on the main markets in the Asia Pacific Region may be less liquid and may carry a higher risk than an investment in shares listed on markets in the United States and Western Europe.

Each matter described in this section may have a detrimental effect on the value of the underlying securities comprised in the Company's portfolio, with a consequential adverse effect on the NAV of the Company, on the market value of shares in the Company, and on the ability of Shareholders to realise the value of their investment.

Regional Considerations

Countries in the Asia Pacific Region depend on neighbouring states to access world markets for a number of its major imports, including oil, natural gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead, zinc and wheat. Countries in the Asia Pacific Region are therefore dependent upon good relations with their neighbours to ensure their ability to access imports and have taken various steps to promote regional economic integration among neighbouring countries. However, should access to import routes be materially impaired, this could adversely impact the economies of the Asia Pacific Region. Moreover, adverse economic factors in the regional markets may adversely impact the economies of some or all countries in the Asia Pacific Region.

Commodity Prices

The Company invests in some companies that are focused on alternative energy, energy efficiency and recycling. The performance and value of some or all of such companies are affected by the price of oil and gas. The price of oil and gas has fluctuated widely in recent years and may continue to do so. Lower oil and gas prices may adversely affect the performance and value of some companies in which the Company has invested.

Portfolio

The Company may invest in companies with a small market capitalisation. Such investments are likely to be subject to greater valuation uncertainties and liquidity risks than larger capitalisation securities. The Company's portfolio is likely to have a higher volatility than main equity indices such as the FTSE 100 Index. Securities in some of the investee companies may be illiquid. Valuations of Asia Pacific Environmental Companies may remain at current levels or may fall.

Price movements of the Company's investments are likely to be correlated to the performance of global equities in general and small and mid cap equities in particular. Consequently falls in stock markets are likely to negatively affect the performance of the Company's investments.

The Company may invest in companies whose turnover, profits and capital resources are derived from activities largely unrelated to Environmental Markets. Such companies are likely to be subject to different risks and uncertainties than those companies whose activities are based solely or predominantly in Environmental Markets. The value of such investments are also more likely to be affected by matters unrelated to Environmental Markets.

Investment Objective

There is no guarantee that the investment objective as described in Part I of this document will be achieved or provide the returns sought by the Company. The Net Proceeds will be invested as soon as is reasonably practicable after their receipt by the Company, but the number, quality and size of investment opportunities may lead to delays in fully investing the Net Proceeds. To the extent that equity prices rise or fall before the Net Proceeds are fully invested, the returns to holders of C Shares will differ from the returns to the Company's existing Shareholders.

Dividends

The Company invests with the objective of achieving a high level of capital growth and it is expected that dividends, if any, are likely to be small. The Board intends only to pay dividends on the Ordinary Shares in order to maintain the Company's investment trust status. Dividends will depend on the amount and timing of income which the Company receives on its investments and, accordingly, the amount of dividends payable by the Company may fluctuate.

The amount of dividends and future dividend growth will depend on the Company's underlying portfolio and the available distributable reserves. Any change in the tax treatment of dividends or interest received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by Shareholders.

If the basis on which dividends could be paid by companies under UK law were to change the Company's ability to pay dividends could be adversely affected.

Gearing

While it is the Company's current policy not to employ gearing, in the normal course of events, and subject to Board oversight, the Company may borrow up to 10 per cent. of NAV in order to enhance returns when the Manager expects markets to rise. Any borrowings in excess of 10 per cent. of NAV will require the separate and prior authorisation of the Directors. Borrowings by the Company may not in any event exceed 20 per cent. of the Company's adjusted capital and reserves as defined in the Articles without the approval of shareholders in general meeting. Potential investors should be aware of the implications of any such gearing. Due to the gearing effect of any such borrowings, Shareholders would, to an exaggerated extent, suffer from any underperformance of the Company's assets compared to the cost of any borrowing (both in terms of NAV and market price depreciation) and conversely would benefit from any out-performance relative to any borrowing cost.

Reliance on and availability of the Manager, the Investment Adviser and their key personnel

The Company's success depends to a significant extent upon the Manager and the Investment Adviser. The loss or unavailability (whether temporary or permanent) of the services of any director, member of the investment committee or senior management team, or other key personnel of the Manager, or the Investment Adviser, could have a material adverse effect on the business, financial condition or results of operations of the Company.

Potential conflicts of interest

The Manager may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently provides, and may continue to provide, investment management, investment advice and other services in relation to a number of companies, funds or accounts that may have similar investment objectives and/or policies to that of the Company (including the Impax Asian Environmental Markets (Ireland) Fund) and may receive ad valorem and/or performance-related fees for doing so.

As a result, the Manager may have conflicts of interest in allocating investments among the Company and other clients and in effecting transactions between the Company and other clients. The Manager may give advice or take action with respect to such clients that differs from the advice given or actions taken with respect to the Company. In the event of a conflict arising, the Manager will take reasonable steps to ensure fair treatment for the Company in accordance with the FSA's Conduct of Business Sourcebook.

Tax and Accounting

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Information in this document concerning the taxation of investors is based upon current tax law and practice that are subject to change.

Although it is intended that the Company will be managed so as to qualify as an investment trust and retain such status, there is no guarantee that such status will be maintained. If the Company fails to meet the requirements for approval as an investment trust, it will lose exemption in relation to corporation tax on capital gains made by the Company.

Foreign Currency Risk

The Company invests in securities that are not denominated or quoted in sterling, the base currency of the Company. The NAV per Share will be reported in sterling and dividends will be declared and paid in sterling. The movement of exchange rates between sterling and any other currencies in which the Company's investments are denominated or its borrowings drawn down may have an unfavourable or favourable effect on the return otherwise experienced in the investments made by the Company. The Company will not normally hedge against foreign currency movements affecting the value of its investments, but the Manager will take account of this risk when making investment decisions.

Derivatives

The Company may invest in equity linked notes including Participatory Notes, or other derivatives providing economic exposure to underlying shares or securities, when it is considered to be in the best interests of the Company or impracticable to invest directly in those shares or securities. The Company will be exposed to risk of loss in the event of default or insolvency of any counter-party to any derivative used by the Company. The Company may also use derivatives to protect value in the portfolio, reduce costs and for efficient portfolio management. There may not be a price correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investment that are the subject of such hedges, on the other hand. In addition, an active market may not exist for a particular derivative instrument at any particular time.

Exchange controls and withholding tax

The Company may from time to time purchase investments that will subject the Company to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on its investments and the capital value of the affected investments and, potentially, to delay, restrict or limit the Company's ability to repatriate income and/or sales proceeds from investments.

Economic Conditions

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, the law, regulations, political and diplomatic events and trends, tax rates, accounting practices and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

FORWARD-LOOKING STATEMENTS

Some of the statements in this document include forward-looking statements which reflect the Company's, the Manager's or, as appropriate, the Directors' current views with respect to financial performance, business strategy, plans and objectives of the Company. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the section headed "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's business, results of operations, financial conditions and growth strategy. For the avoidance of doubt, nothing in this paragraph qualifies the working capital statement set out in paragraph 10 of Part VI (*Additional Information*).

These forward-looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules and save as required by the FSA, the London Stock Exchange, the City Code or applicable law and regulations, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Company, the Board or the Manager or individuals acting on their behalf are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

EXPECTED TIMETABLE

Record Date for entitlement under the Open Offer	close of business on 29 September 2010
Prospectus, White Form of Proxy and Application Forms posted	1 October 2010
Offer for Subscription opens	1 October 2010
Ex-entitlement date for the Open Offer	8.00 a.m. on 4 October 2010
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to CREST accounts of Qualifying CREST Shareholders	4 October 2010
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. 13 October 2010
Latest time for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. 14 October 2010
Latest time and date for receipt of completed Offer for Subscription Application Forms and payment in full under the Offer for Subscription	1.00 p.m. on 15 October 2010
Latest time and date for splitting of Open Offer Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 15 October 2010
Latest time and date for receipt of completed Open Offer Application Forms and payment in full under the Open Offer and Excess Application Facility or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 19 October 2010
Placing closes	21 October 2010
Commitments undertaken by investors pursuant to the Placing on a T+3 basis	22 October 2010
Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 24 October 2010
General Meeting	10.30 a.m. on 26 October 2010
Admission and commencement of dealings in C Shares	by 8.00 a.m. on 27 October 2010
Expected date for crediting of C Shares to CREST accounts in uncertificated form	27 October 2010
Expected date of despatch of definitive share certificates for C Shares in certificated form	the week commencing 1 November 2010

If you have any questions relating to this document, and the completion and return of the Application Forms and/or the White Form of Proxy, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

The dates set out in this expected timetable of events may be adjusted by the Company and Collins Stewart, in which event details of the new dates will be notified to the FSA, the London Stock Exchange and, where appropriate, to Shareholders.

Admission of both the Ordinary Shares arising on Conversion and the Subscription Shares issued immediately following Conversion to the Official List and to dealings on the London Stock Exchange's Main Market for listed securities will occur on the Conversion Date. It is expected that CREST accounts will be credited with such Ordinary Shares and Subscription Shares on the Conversion Date and that definitive share certificates for such Ordinary Shares and Subscription Shares will be despatched within 21 days of the Calculation Date.

ISSUE STATISTICS

Issue Price per C Share	100 pence
Estimated initial Net Asset Value per C Share	98 pence
Number of C Shares being issued*	200,000,000
Estimated net proceeds of the Issue*	£196,000,000

* assuming that the Issue is subscribed as to £200 million.

Shares	ISIN
Existing Ordinary Shares and New Ordinary Shares	GB00B4M5KX38
Existing Subscription Shares and New Subscription Shares	GB00B4M82P85
C Shares to be issued under the Open Offer	GB00B673Z758
C Shares to be issued under the Excess Application Facility	GB00B66VX981
C Shares to be issued under the Placing and the Offer for Subscription	GB00B3M69M11

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors	Allan McKenzie (<i>Chairman</i>) Simon Atiyah Alan Barber Terence Mahony all of: 145-157 St. John Street London EC1V 4RU
Manager	Impax Asset Management Limited Mezzanine Floor, Pegasus House 37-43 Sackville Street London W1S 3EH
Investment Adviser	Ajia Partners Asset Management (HK) Limited 78th Floor, The Center 99 Queen's Road Central Hong Kong
Administrator, Company Secretary and Registered Office	Cavendish Administration Limited 145-157 St John Street London EC1V 4RU
Sponsor, Bookrunner and Joint Placing Agent	Collins Stewart Europe Limited 88 Wood Street London EC2V 7QR
Joint Placing Agent	Kepler Partners LLP 30 St James Street London SW1A 1HB
Solicitors to the Company	CMS Cameron McKenna LLP Mitre House 160 Aldersgate Street London EC1A 4DD
Solicitors to Collins Stewart	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA
Auditors and Reporting Accountants	Ernst & Young LLP 1 More London Place London SE1 2AF
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
Receiving Agent	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

LETTER FROM THE CHAIRMAN

Impax Asian Environmental Markets plc

*(incorporated in England and Wales under the Companies Act 1985 with registered no. 7016550
and registered as an investment company under section 833 of the Companies Act 2006)*

Directors:

Allan McKenzie (*Chairman*)

Alan Barber

Terence Mahony

Simon Atiyah

Registered Office:

145-157 St John Street

London

EC1V 4RU

1 October 2010

Placing, Open Offer and Offer for Subscription of up to 200 million C Shares, Bonus Issue of Subscription Shares to C Shareholders and Notice of General Meeting

Dear Shareholder

1. Introduction

The Company today announced its proposals for a Placing, Open Offer and Offer for Subscription of C Shares (the “Issue”) to raise up to £200 million before expenses. The C Shares will convert into Ordinary Shares and, immediately following such Conversion, will be subject to a Bonus Issue of Subscription Shares. The Issue is not being underwritten and will not proceed unless subscriptions are received in aggregate for at least £40 million (or such lesser amount as the Company and Collins Stewart may agree).

This letter explains the background to and reasons for the Issue and contains further information about the Proposals. Notice of the General Meeting to be held on 26 October 2010, at which Shareholders’ approval for the Proposals will be sought, is set out on pages 88 to 91 of this document.

2. Background and reasons for the Issue

The Company is a conventional investment trust which launched on 23 October 2009 raising gross proceeds of £104.5 million.

The Company’s investment manager is Impax Asset Management Limited, a subsidiary of Impax Asset Management Group plc.

Since launch, the Company has performed well in terms of both the NAV per Ordinary Share and its share rating with the Ordinary Shares generally trading at a premium to NAV. As at 29 September 2010, the Ordinary Shares were trading at a 2.41 per cent. premium to NAV per Share (unaudited). The average premium on the Ordinary Shares to NAV per Share (unaudited) since 23 October 2009 is 1.96 per cent.

From the Company’s launch on 23 October 2009 to 31 August 2010, the Company’s undiluted NAV per share rose by 16.7 per cent. This compares favourably with three relevant indices. Over the same period, the MSCI AC Asia Pacific ex-Japan Index (“MXAPJ”) rose by 8.9 per cent. in Sterling terms, while the FTSE Environmental Opportunities Asia Pacific ex-Japan Index (“EOAX”) and the FTSE Environmental Opportunities Japan Index (“EOJP”) rose by 11.5 per cent. and fell by 0.4 per cent. respectively.

Market demand for the Company’s shares has remained strong and a further 10,449,000 Ordinary Shares (representing approximately 9.1 per cent. of the Company’s current issued ordinary share capital) have been issued at a premium to NAV. As a result, the Company has issued all of its Tap Shares pursuant to the Company’s existing shareholder authorities. Due to the Company’s strong performance to date, the Board believes that there continues to be significant demand for Ordinary Shares from investors who are unable to purchase sufficient shares in the secondary market. The Board is therefore taking the opportunity to issue further shares by offering C Shares to both Qualifying Shareholders and new investors.

The Proposals involve:

- a Placing, Open Offer and Offer for Subscription of C Shares to raise up to £200 million before expenses;
- a Bonus Issue of Subscription Shares to holders of New Ordinary Shares arising on Conversion; and
- the adoption of new Articles to provide for the rights and restrictions attaching to the C Shares.

The Directors believe that the Proposals have the following principal benefits:

- Shareholders (as a priority through the Open Offer) and new investors, who might otherwise be unable to purchase sufficient Shares due to strong demand in the secondary market, will be able to subscribe for shares in the Company;
- the market capitalisation of the Company will increase following the Issue and it is expected that the liquidity of the Ordinary Shares will be enhanced through a wider shareholder base;
- the Issue will increase the size of the Company and enable it to spread its fixed operating expenses over a larger number of Ordinary Shares; and
- the increase in net assets will enhance the Company's profile.

3. The Issue

The Board is proposing to raise up to £200 million, before expenses, by way of an issue of C Shares pursuant to the Placing, Open Offer and Offer for Subscription. The Directors have reserved the right, in consultation with Collins Stewart, to increase the size of the Issue up to 250 million C Shares if overall demand exceeds 200 million C Shares.

The Issue is conditional, *inter alia*, on the Placing Agreement becoming unconditional and not being terminated, Admission of the C Shares and the passing of the Resolutions set out in the Notice of General Meeting on pages 88 to 91 of this document. The Issue will not proceed unless aggregate subscriptions are received which represent a minimum of £40 million (or such lesser amount as the Company and Collins Stewart may agree). The result of the Issue will be announced as soon as reasonably practicable following the conclusion of the General Meeting.

Open Offer

The Directors recognise the importance of pre-emption rights to Shareholders and consequently up to 135,849,000 of the C Shares are being offered to Qualifying Shareholders at the Issue Price by way of the Open Offer. Qualifying Shareholders can also participate by subscribing for C Shares pursuant to the Offer for Subscription, and Qualifying Shareholders can subscribe in excess of their Open Offer Entitlements pursuant to the Excess Application Facility, as described below.

Under the Open Offer, Qualifying Shareholders are entitled to apply to subscribe for up to an aggregate amount of 135,849,000 C Shares (or such greater number as may be made available by the Directors in exercising their discretion to scale back the Placing in favour of the Open Offer) at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares and/or Existing Subscription Shares on the following basis:

1 C Share for every 1 Existing Ordinary Share

and

1 C Share for every 1 Existing Subscription Share

held at the Record Date (being close of business on 29 September 2010).

The balance of C Shares to be made available under the Issue, being 64,151,000 C Shares, plus any C Shares not taken up pursuant to the Open Offer, will be made available for subscription under the Excess Application Facility, the Offer for Subscription and the Placing.

Valid applications under the Open Offer will be satisfied in full up to applicants' Open Offer Entitlements. Qualifying Shareholders are also being offered the opportunity to subscribe for C Shares in excess of their Open Offer Entitlements under the Excess Application Facility, as described below.

Qualifying Shareholders should be aware that the Open Offer is not a “rights issue”. Qualifying Non-CREST Shareholders should also note that their Open Offer Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear’s Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply to take up their Open Offer Entitlements, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility or will be placed under the Placing or allotted under the Offer for Subscription and the net proceeds will be retained for the benefit of the Company. Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer.

Excess Application Facility

Subject to availability, the Excess Application Facility enables Qualifying Shareholders to apply for any whole number of C Shares in excess of their Open Offer Entitlements.

To the extent that valid applications are not received in respect of any of the Open Offer Shares under the Open Offer, unallocated Open Offer Shares may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility. Thereafter, to the extent that there remain any unallocated Open Offer Shares, they will be made available under the Offer for Subscription and thereafter under the Placing.

C Shares to be issued under the Excess Application Facility may be allocated in such manner as the Directors determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all. In the event of oversubscription under the Excess Application Facility the Directors have the discretion (but are not obliged) to limit applications by Qualifying Shareholders pro-rata to their aggregate holdings of Existing Ordinary Shares and Existing Subscription Shares (ranking equally for such purpose). However, the Directors also have the discretion (but are not obliged) to scale back the Placing in favour of the Excess Application Facility by reallocating C Shares that would otherwise be available under the Placing to Qualifying Shareholders through the Excess Application Facility.

Offer for Subscription

Up to 10,000,000 C Shares are available under the Offer for Subscription. The Directors have the discretion (but are not obliged) to reallocate any C Shares not taken up pursuant to the Offer for Subscription in favour of Qualifying Shareholders who apply under the Excess Application Facility and places under the Placing.

In the event that the Offer for Subscription is oversubscribed, the Directors have the discretion (but are not obliged) to scale back the Placing in favour of the Offer for Subscription by reallocating C Shares that would otherwise be available under the Placing to applicants under the Offer for Subscription.

Placing

Pursuant to the Placing Agreement Collins Stewart will use its reasonable endeavours to procure subscribers and places for up to 200,000,000 C Shares at the Issue Price, less the number of C Shares required to satisfy valid applications under the Open Offer, the Excess Application Facility and Offer for Subscription, to the extent accepted by the Company, as described above.

Scaling Back

The Directors have reserved the right, in consultation with Collins Stewart, to increase the size of the Issue up to 250 million C Shares if overall demand exceeds 200 million C Shares. Accordingly, notwithstanding the target size for the Issue of 200 million C Shares, this Prospectus relates to the issue by the Company of up to 250 million C Shares. In the event that commitments under the Placing and valid applications under the Open Offer and Offer for Subscription exceed the maximum number of Ordinary Shares available, applications under the Placing and Offer for Subscription will be scaled back at the Directors' discretion (in consultation with Collins Stewart and the Manager) and thereafter no further commitments or applications will be accepted and the Placing and the Offer for Subscription will be closed.

C Shares

The Issue will be of a new class of shares, C Shares, which will be issued at the Issue Price of 100 pence per share. An issue of C Shares is designed to overcome the potential disadvantages for existing Shareholders which could arise out of a conventional fixed price issue of further Ordinary Shares for cash. In particular:

- the assets representing the Net Proceeds from the issue of the C Shares will be accounted for and managed as a distinct pool of assets until the Conversion Date. By accounting for the Net Proceeds separately, holders of Existing Ordinary Shares will not be exposed to a portfolio containing a substantial amount of uninvested cash before the Calculation Date;
- the Net Asset Value of the Existing Ordinary Shares will not be diluted by the expenses associated with the Proposals, which will be borne by the subscribers for C Shares; and
- the basis upon which the C Shares will convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of C Shares will become entitled will reflect the relative investment performance and value of the pool of new capital attributable to the C Shares raised pursuant to the Issue up to the Calculation Date as compared to the assets attributable to the Ordinary Shares in issue at that time. As a result, the Net Asset Value attributable to the Ordinary Shares then in issue will not be adversely affected by Conversion.

Conversion and mechanics of the C Shares

The Net Proceeds and the investments made with the Net Proceeds will be accounted for and managed as a separate pool of assets until the date on which at least 80 per cent. of the Net Proceeds have been invested or committed to be invested or, if earlier, 28 February 2011. The Conversion Ratio will then be calculated and the C Shares in issue will convert into a number of Ordinary Shares calculated by reference to the net assets then attributable to C Shares compared to the net assets at the same time attributable to Ordinary Shares then in issue. For the purposes of this calculation, the net asset value attributable to the Ordinary Shares will not take account of the potential dilutive effect of any unexercised Subscription Share Rights and will therefore be calculated on an undiluted basis. This reflects the fact that Subscribers will receive a Bonus Issue of Subscription Shares at the then prevailing Subscription Share Ratio, so the diluted net asset value per Ordinary Share remains unchanged. Entitlements to Ordinary Shares will be rounded down to the nearest whole number. Full details of the C Shares and Conversion are set out in Part II of this document.

The C Shares will not carry any rights to dividends, nor will they carry voting rights at meetings of Ordinary Shareholders, but the consent of C Shareholders as a class will be required in connection with the matters specified in paragraph 7 of Part II of this document. C Shareholders will be entitled to participate in a winding up of the Company or upon a return of capital as specified in paragraph 3 of Part II of this document.

The New Ordinary Shares arising on Conversion of the C Shares will rank *pari passu* with the Ordinary Shares then in issue and will have the rights set out in the Company's new Articles which are summarised in Part VI of this document.

Bonus Issue of Subscription Shares in respect of New Ordinary Shares

Upon Conversion of the C Shares into New Ordinary Shares, holders of New Ordinary Shares will receive a Bonus Issue of fully paid up Subscription Shares on the basis of the then prevailing Subscription Share Ratio, being the ratio that the number of Ordinary Shares in issue immediately prior to Conversion bears to the number of Subscription Shares in issue immediately prior to Conversion (rounded up to one decimal place). As at the date of this document, the Subscription Share Ratio is 1:5.5 and it is unlikely that this will change prior to Conversion.

The Subscription Shares will not carry any rights to a dividend, nor will they carry any voting rights at meetings of Ordinary Shares, but the consent of Subscription Shareholders as a class will be required in connection with the variation of any rights connected with the Subscription Shares. The Subscription Shares, when issued, will carry the same rights and rank *pari passu* in all respects with the Existing Subscription Shares. In particular, Subscription Shareholders have the right, on any Business Day up to and including 31 October 2014, to subscribe for all or any of the Ordinary Shares to which his Subscription Shares relate at a price of 100 pence per Ordinary Share. Full details of the Subscription Shares are set out in Part III of this document.

Conversion of C Shares – an illustration

The following example illustrates the basis on which the number of New Ordinary Shares arising on Conversion will be calculated and the number of New Subscription Shares to be issued under the Bonus Issue. The example is not, and is not intended to be, a forecast of the number of New Ordinary Shares that will arise on Conversion.

An investor subscribing £10,000 under the Issue will receive 10,000 C Shares. If the C Shares were to have converted as at close of business on 28 September 2010, when the undiluted NAV per Ordinary Share was 122.07 pence, the diluted NAV per Ordinary Share was 118.67 pence and the Subscription Share Ratio was 1:5.5, such an investor would have received:

				<i>Number of Shares</i>	<i>Market Value*</i>
10,000 C Shares	x	<u>98.0**</u>	=	8,028 Ordinary Shares	£ 9,814.23
		122.07			
		<u>8,028</u>	=	1,459 Subscription Shares	£ 499.71
		5.5			
					<hr/> £10,313.94

The unaudited and fully diluted NAV per Ordinary Share after conversion would be the same as before conversion (namely 122.07 pence and 118.67 pence respectively)

* Based on mid-market prices of 122.25 pence and 34.25 pence for Ordinary Shares and Subscription Shares respectively as at 28 September 2010

** For illustrative purposes, the C Share NAV is assumed to be 98.0 pence (being the initial subscription price less 2 pence costs)

4. Investment Outlook

The Directors believe, based on advice from the Manager, that the key drivers of Asia Pacific Environmental Markets, namely tightening environmental policy, significant infrastructure expansion and rapid economic growth, are continuing to develop well.

The Manager remains very positive on key investment themes including the expansion of domestic Asian water, waste and alternative energy infrastructure projects, Asian strength in low cost manufacturing of environmental products and the transition of companies from traditional industries, on lower valuations, into environmental sectors. In addition, the Directors believe that the current valuation and forward EPS growth rate of the existing portfolio remain attractive.

Application of Net Proceeds

The Directors intend to apply the Net Proceeds in making investments in accordance with the Company's investment objective and subject to the investment restrictions described in Part I of this document. Pending investment, the Net Proceeds will be invested in short-term money market instruments (including gilts and treasury bills) and cash with institutions (or wholly owned subsidiaries of institutions) which are rated A1 (or above) by Standard & Poor's or an equivalent rating agency.

5. General Meeting

A General Meeting of the Company has been convened for 10.30 a.m on 26 October 2010 in order to obtain Shareholders' approval for implementation of the Proposals. Notice of that meeting is set out on pages 88 to 91 of this document.

Adoption of new Articles of Association

Paragraph (A) of special resolution number 1 in the Notice of General Meeting provides for the adoption of new Articles of Association. The new Articles update the Company's current articles of association primarily to take account of the coming into force of the implementation of the last parts of the 2006 Act. A summary of the principal changes introduced in the new Articles is set out in paragraph 6 of Part VI of this document. The new Articles will also set out the rights and restrictions attaching to the C Shares. The full terms of the new Articles are available for inspection as set out in paragraph 17 of Part VI of this document and will be available at the General Meeting.

Authority to Allot and Disapplication of Pre-emption Rights

The Company proposes by means of paragraph (B) of special resolution number 1 in the Notice of General Meeting to give the Directors authority under section 551 of the 2006 Act to allot the C Shares pursuant to the Issue, to allot the Subscription Shares and grant the Subscription Share Rights pursuant to the Bonus Issue, and to allot up to 9.99 per cent. of the issued share capital of the Company as at the date of this document pursuant to a general authority. This authority will expire (unless previously varied as to duration, revoked or renewed by the Company in a general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2011, or if earlier, fifteen months from the date the Resolution is passed.

By means of paragraph (C) of special resolution number 1, the Company seeks to disapply statutory pre-emption rights otherwise applicable to the allotment of C Shares and the Subscription Shares, the grant of the Subscription Share Rights pursuant to the Bonus Issue, and the general authority to allot up to 9.99 per cent. of the issued share capital of the Company as at the date of this document. This authority will expire at such time as the authorisation under section 551 expires.

Authority to capitalise reserves and share capital adjustments

By means of paragraph (D) of special resolution number 1, the Company seeks approval to capitalise sums standing to the credit of any reserve available for the purpose in order to issue the Subscription Shares pursuant to the Bonus Issue as paid up in full. The Company's Articles, which generally require any sums capitalised to be appropriated to shareholders in proportion to their holdings, will be disappplied for the purposes of the Bonus Issue as the Subscription Shares to be issued pursuant to the Bonus Issue will not necessarily be issued to all Existing Shareholders in proportion to their existing holdings.

By means of paragraph (E) of special resolution number 1, the Company seeks approval to consolidate, sub-divide or redeem share capital as required to give effect to the rights of holders of the Subscription Shares.

Authority to Repurchase Shares

By means of special resolution number 2, the Company seeks approval for repurchases of up to: (i) prior to the Conversion Date, 17,230,855 Ordinary Shares (or, if less, the number representing 14.99 per cent. of the issued Ordinary Share capital immediately following the General Meeting), 3,132,910 Subscription Shares (or, if less, the number representing 14.99 per cent. of the Subscription Shares in issue immediately following the General Meeting), and 37,475,000 C Shares (or, if less, the number representing 14.99 per cent. of the C Shares in issue immediately following Admission); and (ii) on or

after the Conversion Date 57,344,977 Ordinary Shares (or, if less, the aggregate number representing 14.99 per cent. of the issued Ordinary Share capital immediately following Conversion), and 10,426,390 Subscription Shares (or, if less, the number representing 14.99 per cent. of the Subscription Shares in issue immediately following Conversion). Any repurchase made pursuant to the authority will be made at not less than the respective par value per Share and not more than the higher of (i) 5 per cent. above the average of the middle market quotations for the shares of the class of that share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that share is purchased; and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation. The authority being sought will expire on the date falling 18 months following the date of the passing of special resolution number 2 unless the authority is replaced at the Company's Annual General Meeting to be held in 2010. Any Shares so purchased will be cancelled or, if the Directors so determine, held in treasury.

6. Admission and Dealings

Applications have been made to the UK Listing Authority for up to 200 million C Shares to be admitted to the Official List and to the London Stock Exchange for the same number of C Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Admission will become effective, and that dealings in the C Shares will commence, at 8.00 a.m. on 27 October 2010.

Application will be made to the UK Listing Authority for the Ordinary Shares arising on Conversion to be admitted to the Official List, and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities.

Applications will be made to the UK Listing Authority for the Subscription Shares, which are to be issued immediately following Conversion, to be admitted to the Official List, and to the London Stock Exchange for those Subscription Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities.

Admission of the New Ordinary Shares arising on Conversion and New Subscription Shares to be issued immediately following Conversion will become effective and dealings in them will commence on the London Stock Exchange's Main Market for listed securities by no later than 28 February 2011.

7. Certificates and CREST

The Shares will be issued in registered form and may be held in certificated or uncertificated form. Qualifying Non-CREST Shareholders who wish their Shares to be held in uncertificated form (that is, in CREST) should ensure that they complete the details in Box 13 of the Open Offer Application Form. Applicants under the Offer for Subscription who wish their Shares to be held in uncertificated form (that is, in CREST) should ensure that they complete the details in Box 5 of the Offer for Subscription Application Form. Temporary documents of title will not be issued pending the despatch of definitive certificates for Shares. Dealings in Shares in advance of the crediting of the relevant CREST accounts or the issue of share certificates will be at the risk of the persons concerned.

8. Overseas Shareholders

Not all Ordinary Shareholders and Subscription Shareholders will be Qualifying Shareholders for the purposes of the Open Offer. Ordinary Shareholders who are located or resident in, or who are citizens of, or who have a registered address in, the United States, Australia, Canada, Japan or the Republic of South Africa will not qualify to participate in the Open Offer. The attention of Overseas Shareholders is drawn to paragraph 1.4 of the section headed "Terms and Conditions of, and procedure for application under, the Open Offer" on page 103 of this document.

Shareholders who have registered addresses outside the UK, or who are citizens or residents of countries other than the UK, are being sent this document and the accompanying documents in connection with their entitlement to attend and vote at the General Meeting. However, no such person may treat this document or any Application Form received by him as constituting an offer or invitation to acquire

Shares, unless, in the relevant territory, such an offer or invitation can be made lawfully, to that person. The attention of such Shareholders is drawn to paragraph 1.4 of the section headed “Terms and Conditions of, and procedure for application under, the Open Offer” on page 103 of this document and paragraph 8 of the section headed “Terms and Conditions of application under the Offer for Subscription” on page 109 of this document.

9. Costs and Expenses

The costs of the Issue will be borne out of the proceeds of the Issue and, accordingly, will effectively be borne by those subscribing for C Shares. The total costs of the Issue (including any commissions) will be 2 per cent. of the gross proceeds of the Issue.

10. Risk Factors and Further Information

Your attention is drawn to the Risk Factors on pages 9 to 14 of this document, to the additional information set out in Parts I to VI on pages 28 to 82 of this document, and in the sections headed “Terms and Conditions of, and procedure for application under, the Open Offer”, and “Terms and Conditions of application under the Offer for Subscription”, on pages 106 to 112 of this document.

11. Action to be Taken

White Form of Proxy

You will find enclosed with this document a White Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete and return the White Form of Proxy. To be valid, the White Form of Proxy must be completed, signed and returned in accordance with the instructions printed thereon and deposited at the Company’s registrars, Capita Registrars PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or be lodged using the CREST Proxy Voting Service in each case so that it is received by 10.30 a.m. on 24 October 2010. For further details please see the notes to the Notice of General Meeting which forms part of this document. The appointment of a proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so.

Open Offer

- (a) *Qualifying Non-CREST Shareholders (i.e. holders of Ordinary Shares who hold their Ordinary Shares in certificated form)*

If you are a Qualifying Non-CREST Shareholder you will receive an Open Offer Application Form which gives details of your Open Offer Entitlement under the Open Offer (as shown in Box 7 of the Open Offer Application Form). If you wish to apply for C Shares under the Open Offer, you should complete the Open Offer Application Form in accordance with the procedure for application set out on pages 92 to 105 of this document and on the Open Offer Application Form itself.

- (b) *Qualifying CREST Shareholders*

If you are a Qualifying CREST Shareholder you will not be sent an Open Offer Application Form. You will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlement under the Open Offer and also an Excess CREST Open Offer Entitlement for use in connection with the Excess Application Facility. You should refer to the procedure for application set out on pages 92 to 105 of this document.

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from an appropriately qualified independent professional adviser.

Offer for Subscription

Shareholders and any other person wishing to apply for C Shares under the Offer for Subscription are able to do so by completing and returning the Offer for Subscription Application Form included at the end of this document.

Full details of the terms and conditions of the Offer for Subscription and the procedure for application and payment under the Offer for Subscription are set out on pages 106 to 114 of this document and the Offer for Subscription Application Form.

PEPs and ISAs

Any person wishing to apply for C Shares under the Open Offer or the Offer for Subscription through a PEP or ISA should contact their PEP or ISA manager as soon as possible.

The Existing Shares are, and the C Shares, the Ordinary Shares arising on Conversion and the Subscription Shares to be issued immediately following Conversion will be, a qualifying investment for the stocks and shares component of an ISA, provided they are acquired by an ISA plan manager through an offer to the public (such as the Open Offer or the Offer for Subscription) or in the market. Although no new PEPs may be opened and no further subscriptions may be made to existing PEPs, the Existing Ordinary Shares do, and the C Shares, the Ordinary Shares arising on Conversion and the Subscription Shares arising immediately following Conversion will, also qualify as an eligible security in an existing PEP, provided they are acquired by a PEP plan manager through an offer to the public (such as the Open Offer or the Offer for Subscription) or in the market, in either case from the proceeds raised from the sale of an existing PEP holding.

Shares in investment trusts, such as the Company, only qualify for the stocks and shares component of an ISA or PEP where the investments of the investment trust themselves continue to meet certain tests laid down by law. The Company manages its affairs so as to be a fully qualifying investment trust for ISA purposes. The Directors intend that the Company will conduct its affairs so as to continue to qualify for ISA and PEP products.

Shareholders not wishing to apply for C Shares under the Open Offer or the Offer for Subscription need take no action in respect of the Application Forms but are urged to submit a White Form of Proxy to vote at the General Meeting.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom, or, if not, another appropriately authorised independent financial adviser.

12. Intentions of the Directors in relation to the Issue

Allan McKenzie, Alan Barber, Terry Mahony and Simon Atiyah intend to apply under the Issue for an aggregate subscription amount of £184,400.

13. Recommendation to Shareholders

The Board considers that the Proposals are in the best interests of the Company and Shareholders as a whole. The Board has received financial advice from Collins Stewart in connection with the Placing, Open Offer and Offer for Subscription and, in giving that financial advice, Collins Stewart has placed reliance on the Board's commercial assessments.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their own beneficial holdings of Ordinary Shares which amount in aggregate to 162,000 Ordinary Shares.

Yours faithfully,

Allan McKenzie
Chairman

PART I

INFORMATION RELATING TO THE COMPANY

1. Introduction

The Company is a conventional investment trust which was listed on 23 October 2009.

As at 29 September 2010, the Company had unaudited net assets of £141.3 million. The Company is an investment company within the meaning of Section 833 of the 2006 Act. In the opinion of the Directors, the Company has conducted its affairs so as to be able to seek approved investment trust status from HMRC under Section 1158 of the Corporation Tax Act 2010 for the period ended 30 June 2010. The Company will seek such approval when the 2010 Annual Report and Accounts are submitted.

2. Market Rating

As at 29 September 2010, the Ordinary Shares had an unaudited NAV of 122.89p per Ordinary Share, and were trading at a 2.4 per cent. premium to NAV per Share (unaudited). The Ordinary Shares have regularly traded at a premium to NAV per Share (unaudited) since 23 October 2009. The average premium to NAV per Share (unaudited) at which the Ordinary Shares have traded since 23 October 2009 is 1.96 per cent.

3. Investment policy

(i) ***Objective and policy***

The Company's investment objective is to generate long-term capital growth through investment in a diverse portfolio of companies in the markets for cleaner or more efficient delivery of basic services of energy, water and waste in the Asia Pacific Region. To be eligible for investment, such companies must have at least 20 per cent. of their turnover, profits or invested capital in these markets.

(ii) ***The Company's Portfolio***

There are no minimum or maximum limits on the number of investments in the portfolio but it is expected that the portfolio will comprise shares and securities in 40 to 75 Asia Pacific Environmental Companies.

The Company's investments are denominated in a variety of currencies. The Directors do not currently, and do not intend to, hedge any of the Company's currency exposure.

The Company intends to be fully invested during normal market conditions but may hold up to 20 per cent. of NAV in cash on deposit or in short-term money market instruments (including gilts and treasury bills) during periods when the Manager believes markets are overvalued and expects them to fall. A small amount of cash will also be held to maintain short-term liquidity.

(iii) ***Gearing***

In the normal course of events, and subject to Board oversight, the Company may borrow up to 10 per cent. of NAV (as determined at the time of borrowing) in order to enhance returns when the Manager expects markets to rise. Any borrowings in excess of 10 per cent. of NAV (as determined at the time of borrowing) require the separate and prior authorisation of the Board. Borrowings by the Company may not in any event exceed 20 per cent. of the Company's adjusted share capital and reserves as defined in the articles of association of the Company without the approval of shareholders in general meeting.

The Board's current policy is to not employ gearing.

(iv) ***Derivatives***

The Company may invest in equity linked notes or other derivatives providing economic exposure to underlying shares or securities when it is considered to be impracticable or not in the best interests of the Company to invest directly in those shares or securities. In particular the Company's existing investments include Participatory Notes in order to gain economic exposure

to shares and securities in the Indian and Chinese “A” stock markets and the Board expects future investments to include such Participatory Notes. Participatory Notes are equity-linked notes issued by a third party broker, typically with a three-year duration and denominated in US dollars, providing long-only exposure to underlying securities and being cleared through Euroclear and marked to market on a daily basis.

Other than equity linked notes or other derivatives providing long-only exposure to underlying securities, the Company will only enter into derivative transactions for the purposes of efficient portfolio management with prior Board approval.

The Board has set a maximum limit for investment into Participatory Notes at 20 per cent. of net asset value, subject to a further limit of 5 per cent. per broker (both limits at time of investment).

(v) ***Investment restrictions***

The Company seeks to manage risk through various investment limits and restrictions:

- income is principally derived from securities;
- neither the Company nor any subsidiary that the Company may acquire will, to a significant extent, be a dealer in investments nor will it conduct a trading activity which is significant in the context of the Group as a whole;
- the Company will not normally take legal or management control of investments in its portfolio. The Company will not ordinarily seek to control, or be actively involved in the management of, any companies or businesses in which it invests, however, in the event that any such company is under-performing or requires intervention and in circumstances when such action would be in the best interests of the Shareholders, the Company may elect to become involved in the management of the company;
- dividends will not be paid unless they are covered by income received from underlying investments and, for this purpose, a share of profit of an associated company is unavailable unless and until distributed to the Company;
- not more than 10 per cent. of the value of the Company’s gross assets following Admission will be invested in other listed closed-ended investment funds (including listed investment trusts);
- the Company intends to be fully invested during normal market conditions but may hold up to 20 per cent. of NAV in cash or short-term money market instruments (including gilts and treasury bills) during periods when the Manager believes markets are overvalued and expects them to fall; and
- the Company will not invest more than 10 per cent. of its NAV in any one stock or security (or, in the case of derivatives as described further above, in any one counterparty) as measured at the time of investment. The Company may invest more than 5 per cent. of its NAV in an individual stock or security (or counterparty), provided that such investment does not cause the aggregate value of stocks and securities worth 5 per cent. or more of the Company’s NAV to represent more than 40 per cent. of the Company’s NAV.

4. Investment Performance

From the Company’s launch on 23 October 2009 to 31 August 2010, the Company’s undiluted NAV per share rose by 16.7 per cent. This compares favourably with three relevant indices. Over the same period, the MSCI AC Asia Pacific ex-Japan Index (“MXAPJ”) rose by 8.9 per cent. in sterling terms, while the FTSE Environmental Opportunities Asia Pacific ex-Japan Index (“EOAX”) and the FTSE Environmental Opportunities Japan Index (“EOJP”) rose by 11.5 per cent. and fell by 0.4 per cent. respectively.

Since launch, the Company has performed well in terms of both the NAV per Ordinary Share and its share rating with the Ordinary Shares generally trading at a premium to NAV. As at 29 September 2010, the Ordinary Shares were trading at a 2.4 per cent. premium to NAV per Share (unaudited). The average premium on the Ordinary Shares to NAV per Share (unaudited) since 23 October 2009 is 1.96 per cent.

5. Investment Opportunity

The Directors believe that Asia Pacific Environmental Companies are well positioned to supply rapidly expanding demand for environmental products and services in the Asia Pacific Region as well as in other regions of the world, and expect that an actively managed portfolio of Asia Pacific Environmental Companies will out-perform both global equities and also the basket of general equities in the Asia Pacific Region over the medium to long term.

The valuation of the Company's portfolio remains highly attractive at a price-earnings ratio of 12.6x on estimated forward 12 months' earnings to August 2011 (compared to 16.7x at launch). The estimated earnings per share 12 months' forward growth rate for the portfolio has also increased, to 30 per cent. as at August 2010 (compared to 21 per cent. at launch).

Environmental Markets in the Asia Pacific Region are set to expand rapidly

Asia Pacific economies are growing more rapidly than developed economies. The region is home to more than half the world's population; and in many areas the urbanisation rate and standards of living are rising. Superior growth rates are placing unsustainable pressure on finite natural resources and weak infrastructure, and causing significant environmental damage across the region. National governments in the region are responding to this. There is an increasing focus on infrastructure investment to supply clean water, develop sustainable waste management, build out renewable energy capacity and improve energy efficiency.

China has pledged to cut its carbon intensity by 40-45 per cent. by 2020 and is actively mandating energy efficiency measures. Reports suggest that the country's 12th Five Year Plan from 2011 onwards will call for more than US\$450bn of investment in environmental protection and US\$735bn in clean energy. The Chinese authorities have provided subsidies for energy efficient products and electric vehicles and are expanding privatised waste water and waste to energy projects. India has launched its Solar Mission, targeting 20GW in solar installations by 2022, and expanded wind support including renewable energy certificates and generation-based incentives. In addition it has increased programmes targeting development of urban water and rural irrigation infrastructure. South Korea has enacted a law on Low Carbon Green Growth to develop clean technologies and give Korean companies a leading position in international markets for environmental products. This includes US\$24bn of investment to develop smart grid and electric vehicle battery technology.

Asia Pacific Environmental Companies well placed to supply global environmental markets

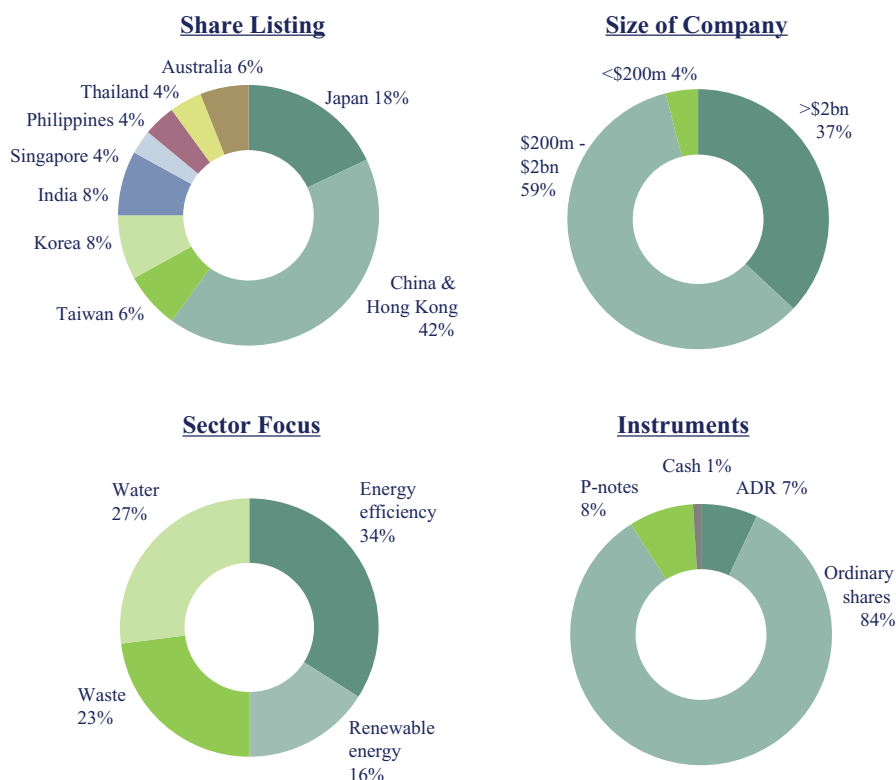
When compared to their counterparts in Europe and North America, many Asia Pacific Environmental Companies have a distinct competitive advantage in seeking to satisfy demand in environmental markets outside of the Asia Pacific Region. These companies benefit from cheap labour and land, access to a well capitalised local banking system, established local supply chains and experience in high volume/low costs manufacturing for other industries. The success of the region as a manufacturing hub for environmental products is typified by the consolidation of the manufacturing of solar modules, rechargeable lithium ion batteries, and light emitting diodes ("LEDs") within the region.

Growing Universe of Investable Asia Pacific Environmental Companies

Since the launch of the Company on 23 October 2009, the universe of investable Asia Pacific environmental companies has continued to grow, not only through initial public offerings of new companies, but also as a result of the increased incidence of established companies which operate in traditional industries such as chemicals, automobiles and electronics, and which are typically on lower valuations, expanding into environmental sectors with higher growth prospects. As at 31 August 2010 the Manager had identified an investable universe of 431 companies with an aggregate market capitalisation of US\$850 billion.

6. The Company's Portfolio

As at the date of this document, the Company is invested in 55 companies, which is within the expected range of 40 to 75 investments in its portfolio at any one time. The Company's portfolio is broken down as follows:



Security Company	Business	Country	Holding Price	Value	% of total net assets
1 Xinyi Glass Holdings Co Ltd	Energy efficiency glass	China	12,315,800	4,823,779	3.39%
2 ENN Energy Holdings	Natural natural gas distributor	China	2,353,400	4,272,765	3.00%
3 Lee & Man Paper	Paper recycling	China	7,703,400	3,985,246	2.80%
4 China Longyuan Power	Wind IPP	China	6,002,400	3,884,021	2.73%
5 Delta Elect Thai-Foreign	Efficient power supplies	Thailand	6,530,900	3,766,442	2.65%
6 Campbell Brothers Ltd	Environmental testing	Australia	176,317	3,583,978	2.52%
7 Sound Global Ltd	Water treatment	China	7,776,000	3,367,692	2.37%
8 Delta Electronics Inc	Efficient power supplies	Taiwan	1,255,500	3,300,715	2.32%
9 Yingde Gases Group	Industrial gases	China	5,310,500	3,249,973	2.28%
10 Fook Woo Group	Paper recycling	China	14,683,100	3,151,067	2.21%
11 Thermax (PN-MOST)	Power generation equipment	India	281,100	3,132,854	2.20%
12 China High Precision	Industrial automation	China	7,279,500	3,035,326	2.13%
13 Renesola Ltd-ADR	Solar power equipment	China	394,800	3,034,424	2.13%
14 IVRCL Infra (PN-MOST)	Water infrastructure	India	1,255,200	2,899,872	2.04%
15 Yamatake Corp Buildings	energy efficiency	Japan	171,900	2,810,993	1.98%
16 Jain Irrigation (PN-CLSA)	Irrigation	India	161,600	2,749,093	1.93%
17 Thai Tap Water-Foreign	Water utilities	Thailand	22,850,000	2,730,552	1.92%
18 Sims Metal Manag-Spon ADR	Value added waste	Australia	246,000	2,728,661	1.92%
19 LG Chem Ltd	Chemicals and efficient batteries	South Korea	14,700	2,704,485	1.90%
20 Daikin Industries Ltd	Energy efficient air conditioners	Japan	114,600	2,680,854	1.88%
21 Chroma Ate Inc	Automation and UPS	Taiwan	1,771,929	2,679,935	1.88%
22 Wasion Group Holdings	Smart meters	China	5,270,100	2,524,294	1.77%
23 Hollysys Automation Tech	Industrial and rail automation	China	361,400	2,510,008	1.76%
24 Energy Development Corp	Geothermal IPP	Philippines	27,706,200	2,498,407	1.76%
25 Trina Solar	Solar PV Manufacturer	China	134,600	2,460,210	1.73%
Top 25 holdings				78,565,644	55.22%
Other holdings				58,253,878	40.95%
Total holdings in companies				136,819,521	96.17%
Other net assets				5,448,479	3.83%
Grand Total				142,268,000	100.00%

7. Investment Outlook

The Directors believe, based on advice from the Manager, that the key drivers of Asia Pacific Environmental Markets, namely tightening environmental policy, significant infrastructure expansion and rapid economic growth, are continuing to develop well.

The Manager remains very positive on key investment themes including the expansion of domestic Asian water, waste and alternative energy infrastructure projects, Asian strength in low cost manufacturing of environmental products and the transition of companies from traditional industries, on lower valuations, into environmental sectors. In addition, we believe that the current valuation and forward EPS growth rate of the existing portfolio remains highly attractive.

8. Management of the Company

The Board of Directors

The Directors of the Company, all of whom are non-executive and are independent of the Manager, are:

Allan McKenzie

Allan McKenzie, Chairman, aged, 63, is Chairman and has been a director of Edinburgh Dragon Trust plc since 1 September 2006 and he was the Chief Operating Officer and a Managing Director of Blackrock International Limited prior to his retirement in 2006. He is a former director of Blackrock Global Series plc and a former director and chairman of the Thailand International Fund Limited. Between 1972 and 1991 he was actively involved in fund management, specialising in Asian equity markets. Since 1991 his role was in marketing and client relationship management at both Scottish Widows Investment Management and Blackrock International Limited.

Alan Barber

Alan Barber, aged 62, is currently executive chairman of Management Consulting Group plc and a non-executive director and chairman of the audit committee of Invesco English & International Trust plc, JP Morgan Japanese Investment Trust plc, Witan Pacific Investment Trust plc and Western & Oriental plc. He is a former non-executive director of lastminute.com plc and Teather & Greenwood Holding plc and was a partner in KPMG until 2004.

Terence Mahony

Terence Mahony, aged 67, is Managing Director of TFM Management Limited, a firm of investment consultants based in Hong Kong. He has over 35 years' investment experience, the last 25 of which have been gained in Asia. He is also a non-executive director of Pacific Assets Trust plc, Advance Developing Markets Fund Limited, Citic Capital Investment Management, Vietnam Azalea Fund Limited and Ranhill Berhad.

Simon Atiyah

Simon Atiyah, aged 49, is a solicitor and currently works as a legal consultant at Hogan Lovells International LLP in London. He originally joined Lovells as a partner in 2002 and headed up its investment funds' practice for two years before his retirement as a partner in 2008. He has over 25 years' experience working in solicitors' practices, over 20 of which have been specialising in investment fund work. He is qualified to practise, and has worked in, Hong Kong and Bermuda, as well as in England.

The Directors are responsible for determining and overseeing the implementation of the Investment Policy and have overall responsibility for the Company's activities.

Investment Manager

The Company's investment manager is Impax Asset Management Limited. The Manager is a subsidiary of Impax Asset Management Group plc, an investment management and financial advisory company, the shares of which are quoted on the AIM market of the London Stock Exchange. As at 31 August 2010, the Manager had assets under management or advisory of approximately £1.7 billion for institutional and private investors across a range of funds.

The Manager provides fund management and advisory services within the Environmental Markets sector, particularly alternative energy, waste management and water treatment. The Manager has particular expertise in managing portfolios of listed stocks and private equity in the Environmental Markets sector.

The Manager commenced advisory and non-discretionary fund management in 1998 and discretionary fund management in 2001.

Details of the Management Agreement between the Company and the Manager, pursuant to which the Manager provides management services to the Company, including the management fee, are set out in paragraph 7.6 of Part VI of this document.

Portfolio Managers

Bruce Jenkyn-Jones and David Li have primary responsibility for managing the Company's portfolio:

- Bruce Jenkyn-Jones has 20 years' experience of Environmental Markets. He has a chemistry degree from Oxford University, an MSc in Environmental Technology from Imperial College, London, and an MBA from I.E.S.E., Barcelona. Bruce Jenkyn-Jones spent five years with Environmental Resources Management Limited, a leading environmental consultancy. After working as a utilities analyst at Bankers Trust, he joined Impax Group in February 1999. Since that time he has focused on the development of the listed equity business at Impax where he is now Portfolio Manager.
- David Hok Kwan Li has 13 years' experience in equities research and fund management in the investment sector. He graduated from the University of New South Wales in Australia with majors in accounting and finance. Prior to joining Ajia in April 2007, he was the Head of Small and Mid Cap Research for Asia ex-Japan at Deutsche Bank Securities, and Head of Regional Media Research at ING Securities. David also has experience in auditing and is a qualified CPA and CFA. David Hok Kwan Li is an employee of the Investment Adviser and is seconded to the Manager pursuant to a secondment agreement entered into on the Company's launch. The agreement may be terminated by either party giving not less than three months' notice to the other party to expire no earlier than 23 October 2012 or at any time on the occurrence of certain events. David Hok Kwan Li will be based at Ajia's offices in Hong Kong.

Kirsteen Morrison and Lee Clements are responsible for specialist Asia research and specialist technology research respectively:

- Kirsteen Morrison has 23 years' experience in fund management and equities research. She has an MBA in Metallurgy and Science of Materials from Oxford University and is an Associate of the CFA Society of the UK. She has extensive experience investing in Asian equities as a portfolio manager at Royal London and Henderson Global Investors. She returned from Singapore in 2001 to head the SRI Investment team at Henderson Global Investors. Subsequently, Kirsteen worked as a financial analyst for Odey Asset Management before joining JP Morgan to run a long/short Asian Financials portfolio for the internal hedge fund. Kirsteen joined Impax in 2009.
- Lee Clements has 11 years' experience in the financial sector of which the last 5 have been specialised in the environmental sector. He has a BSc in Physics from Imperial College, London and conducted research into optoelectronic devices at EPFL, Lausanne. Lee joined Impax having previously worked in environmental venture capital at both Nomura and WHEB Ventures, investing across multiple renewable and clean technology sectors and geographies. Prior to moving into the environmental markets he worked in corporate strategy at Lehman Brothers helping to develop their strategic growth plans in Europe. Lee takes a lead role in research coverage of the Manager's listed equity universe for the Specialists, Leaders, Asia-Pacific and absolute return strategies.

Investment Adviser

The Manager has appointed Ajia Partners Asset Management (HK) Limited as its investment adviser to assist it with research on stocks that are eligible for the Company's portfolio. Ajia focuses on asset management with approximately 110 employees in Asia. It provides fund management and advisory services from its base in Hong Kong, as well as from its other offices in Beijing, Seoul and Tokyo. As at 29 September 2010, Ajia managed or was investment adviser to funds of approximately US\$2 billion for institutional and private investors. Ajia has worked with the Manager, and formed an integral part of its investment process in identifying and researching stocks on the main markets of the Asia Pacific Region for other Impax funds, since August 2007.

The Investment Adviser was appointed by the Manager on 8 October 2009 to provide a number of services, *inter alia*, to make recommendations for the Company regarding the selection of quoted companies for investment, introduce suitable market participants to facilitate trades in any recommended investments, provide an Ajia representative to attend investment committee meetings and provide office facilities in Hong Kong for the Manager, all of which are subject to the overall supervision and guidance of the Manager.

The Manager shall be responsible for any acts or omissions of the Investment Adviser as if such actions or omissions were those of the Manager.

Administrator and Registrars

Cavendish Administration Limited acts as administrator and as Company Secretary and Capita Registrars has been appointed as registrar to the Company.

Custody of the investments

BNP Paribas Securities Services has acted as custodian to the Company since launch. The Custodian is part of a global banking & financial services group which holds approximately 28 per cent. of the issued share capital of the Manager's parent company.

The principal business of the Custodian is the provision of custodial, banking and related financial services. Under the custody agreement, the Custodian has agreed to perform custody and related services for the Company in respect of its investments.

The Custodian is authorised to hold and safeguard securities and other property in the accounts and to collect the income, interest and dividends arising thereon.

The agreements between the Company and each of the Manager, the Administrator, the Custodian and the Registrar are summarised in paragraph 7 of Part VI this document.

9. Net Asset Value

The NAV per Ordinary Share is calculated in sterling on a daily basis by the Administrator. The NAV per C Share will be calculated in sterling on a weekly basis by the Administrator. Calculations are made in accordance with UK GAAP and Association of Investment Companies guidelines unless otherwise determined by the Board. It is unlikely that NAV publications will be suspended by the Company, however, if this does occur, the reason for the suspension will be announced via a regulatory news service.

In determining the Company's NAV, its investments are valued as follows:

- any securities of companies quoted on an investment exchange are valued at fair value by reference to market bid price;
- any investments in derivatives are valued at fair value. In the case of Participatory Notes this is by reference to latest broker quotations or, if unavailable or lower, by reference to the equivalent market bid price valuation of the relevant underlying security;
- any other investment is valued at best estimate of fair value as determined by the Directors; and
- any investments not denominated in sterling are translated into sterling at closing London market rates.

The value of the investments in the Company's portfolio is calculated by reference to the fair value of those investments at the close of business on each business day on the principal stock exchange or market where the relevant investment is listed or dealt in.

10. Shareholder information

Copies of the audited financial statements of the Company, which are made up to 30 June in each year, are sent to shareholders in September or October. Shareholders are also sent, each February, copies of unaudited interim financial statements of the Company for the six months ending 31 December of each year.

A fact sheet is available from the Manager on a monthly basis from its website, www.impax.co.uk.

11. Continuation Vote

The Company was incorporated in England and Wales on 11 September 2009. The Articles require that an ordinary resolution be proposed at the Annual General Meeting of the Company to be held in 2015 and, thereafter, at every third Annual General Meeting of the Company that the Company should continue as an investment trust for a further three year period. In the event that such a resolution is not passed, the Directors are required to draw up proposals for Shareholders' approval for the voluntary liquidation or unitisation or other reorganisation of the Company, which would require a special resolution of Shareholders.

12. Dividends

The primary objective of the Company is capital growth and, in line with expectations, the revenue generated by the Company's investment portfolio continues to be modest.

The Company is required to pay a dividend in order to maintain investment trust status and, accordingly, the Directors declared an interim dividend for the period since launch of 0.4p per Ordinary Share. The dividend will be paid on 22 October 2010 to Shareholders on the Company's register at the close of business on 8 October 2010. The dividend has been declared as an interim rather than final dividend to ensure that it is attributed to Existing Ordinary Shareholders before any C Shares are issued. It is the Company's intention to generate shareholder returns through capital growth rather than income. Therefore, it should not be assumed that this level of dividend will be paid in future years.

13. Accounting Policies

The Company's finance costs and investment management fees are allocated between capital and revenue in the income statement in line with the Board's expectation, following advice from the Manager, of the long term split of the Company's investment portfolio returns between capital and revenue. The Company currently allocates 80 per cent. of such costs to capital and the Board currently intends to continue this allocation.

14. Dilution

If a Qualifying Shareholder does not take up any of his Open Offer Entitlement, such Qualifying Shareholder's holding, as a percentage of the share capital of the Company following Conversion, will be diluted by approximately 58 per cent. as a result of the Issue (on the assumption that the maximum number of C Shares are issued pursuant to the Issue and converted on the basis of the illustration on page 23). Furthermore, Qualifying Shareholders who take up their Open Offer Entitlements in full in respect of the Open Offer will suffer dilution of approximately 25 per cent. to their shareholdings in the Company as a result of the Issue (assuming that the maximum number of New Ordinary Shares are issued pursuant to the Issue and converted on the basis of the illustration on page 23).

15. Taxation Status

The Directors intend to continue to conduct the affairs of the Company so as to qualify as an investment company, as defined under section 833 of the 2006 Act, and an investment trust for the purposes of Chapter 4 of Part 24 CTA 2010 (previously section 842 of the Taxes Act). In respect of each accounting period for which the requirements of Chapter 4 of Part 24 CTA 2010 are satisfied, the Company will be exempt from UK corporation tax on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way.

A guide to the general UK taxation position as at the date of this document is set out in Part V of this document.

If you are in any doubt as to your taxation position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

16. Additional Information

Your attention is also drawn to the information set out in Parts II to VI of this document.

PART II
DETAILS OF C SHARES

Paragraph (A) of resolution number 1 to be put forward at the General Meeting proposes the adoption of new Articles of Association which include provisions reflecting the rights and restrictions attaching to the C Shares set out in this Part II.

1. Definitions

The following definitions apply for the purposes of Part II of this document only:

“Articles of Association of the Company” means the Articles of Association of the Company proposed to be adopted at the General Meeting;

“Auditors” means the auditors from time to time of the Company;

“business day” means any day on which banks are generally open for business in London other than a Saturday;

“Calculation Date” means the earlier of:

- (i) close of business on the day to be determined by the Directors occurring not more than five business days after the day on which the Manager gives notice to the Directors that at least 80 per cent. of the assets attributable to the C Shareholders are invested in a portfolio of securities consistent with the Company’s investment policy;
- (ii) close of business on the day on which the Directors resolve that Force Majeure Circumstances have arisen or are imminent; and
- (iii) such date as the Directors may decide is necessary to enable the Company to comply with its obligations in respect of the Conversion process by 28 February 2011;

“Conversion” means conversion of the C Shares in accordance with paragraphs 6 and 9 below;

“Conversion Date” means the earlier of:

- (i) opening of business on 28 February 2011; and
- (ii) opening of business on a business day to be determined by the Directors being no more than 28 days after the Calculation Date;

“Conversion Ratio” is $\frac{A}{B}$ calculated to four decimal places (with .00005 being rounded up) where:

$$A = \frac{C - D}{E} \text{ and}$$

$$B = \frac{(F - G) - (C - D)}{H}$$

and where C is the aggregate of:

- (i) the fair value of the investments of the Company attributable to the C Shareholders (other than investments which are subject to restrictions on transfer or a suspension of dealings which are to be valued in accordance with (iii) below) which are listed or dealt in on a stock exchange:
 - (a) calculated by reference to the market bid price for those investments at close of business on the Calculation Date on the principal stock exchange or market where the relevant investment is listed or dealt in as derived from the relevant exchange’s or market’s recognised method of publication of prices for such investments where such published prices are available; or

- (b) where such published prices are not available, the value of such investments of the Company attributable to the C Shareholders calculated by reference to the Directors' belief as to a fair current trading price for those investments, after taking account of any other price publication services reasonably available to the Directors;
- (ii) any investments in derivatives are valued at fair value at close of business on the Calculation Date. In the case of Participatory Notes this is by reference to the latest broker quotations or, if unavailable or lower, by reference to the equivalent market bid price valuation of the relevant underlying security;
- (iii) the value of all other investments of the Company attributable to C Shareholders (other than investments included in (i) and (ii) above) calculated by reference to the Directors' best estimate as to a fair current value for those investments on the Calculation Date; and
- (iv) the amount which in the Directors' opinion fairly reflects, at the Calculation Date, the value of the current assets of the Company attributable to the C Shareholders (excluding the investments valued under (i), (ii) and (iii) above, but including cash and deposits with or balances at a bank and including any income and other items of a revenue nature);

'D' is the amount (to the extent not otherwise deducted from the assets attributable to the C Shares) which in the Directors' opinion fairly reflects the amount of the liabilities attributable to the C Shareholders on the Calculation Date;

'E' is the number of C Shares in issue on the Calculation Date;

'F' is the aggregate of:

- (v) the value of all the investments of the Company calculated in accordance with the Company's valuation policies at the close of business on the Calculation Date; and
- (vi) the amount which, in the Directors' opinion, fairly reflects at the Calculation Date the value of the current assets of the Company (including cash and deposits with or balances at a bank and including any income and other items of a revenue nature);

'G' is the amount which in the Directors' opinion fairly reflects the amount of the liabilities of the Company excluding, for the avoidance of doubt, any liability of the Company to issue the Subscription Shares fully paid up pursuant to the Bonus Issue on the Calculation Date; and

'H' is the aggregate of the number of Ordinary Shares in issue (i.e. excluding Existing Subscription Shares whose Subscription Share Rights have not been exercised) on the Calculation Date;

provided that the Directors shall make such adjustments to the value or amount of 'A' and 'B' as the Auditors shall report to be appropriate having regard, *inter alia*, to the assets of the Company immediately prior to the Issue Date and/or to the reasons for the issue of the C Shares referred to in this document;

"C Shares" means C Shares of 100 pence each in the capital of the Company carrying the rights set out in paragraphs 2 to 9 (inclusive) below;

"C Share Surplus" means the net assets of the Company attributable to the C Shareholders (including, for the avoidance of doubt, any income and/or revenue arising from or relating to such assets) less such proportion of the Company's liabilities (including the fees and expenses of the liquidation or return of capital (as the case may be)) as the Directors or the liquidator (as the case may be) shall reasonably allocate to the assets of the Company attributable to the C Shareholders;

"Deferred Shares" means redeemable deferred shares of 1p each in the capital of the Company arising on Conversion;

"Force Majeure Circumstances" means any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable notwithstanding that less than 80 per cent. of the assets attributable to the C Shareholders are invested in a portfolio of securities consistent with the Company's investment policy;

“**Issue Date**” means 27 October 2010 or, if later, the day on which the Company receives the Net Proceeds;

“**Manager**” means Impax Asset Management Limited or such other person who is from time to time the manager of the Company’s investments;

“**Ordinary Share Surplus**” means the net assets of the Company less the C Share Surplus;

“**Statutes**” means the Companies Act 2006 and every other statute for the time being in force concerning companies and affecting the Company;

References to “**Ordinary Shareholders**”, “**C Shareholders**” and “**Deferred Shareholders**” shall be construed as references to holders for the time being of Ordinary Shares, C Shares and Deferred Shares respectively;

For the purposes of Part II of this document, other than paragraph 3 below, assets attributable to the C Shares or the C Shareholders shall mean the net cash proceeds (after all expenses and commissions relating thereto) of the issue of the C Shares as invested in or represented by investments or cash or other assets from time to time less such proportion of the expenses and liabilities of the Company incurred or accrued between the Issue Date and the Calculation Date (both dates inclusive) as the Directors fairly consider to be allocable to the C Shares.

References in Part II of this document to the Auditors certifying any matter shall be construed to mean certification of their opinion as to such matter whether qualified or not.

2. Dividends

2.1 The C Shareholders shall not be entitled to receive, in their capacity as holders of C Shares, and shall not be paid, any dividends.

2.2 Other than the 0.4 pence interim dividend which will be paid on 22 October 2010 to Ordinary Shareholders on the Register on 8 October 2010, no dividend or other distribution shall be declared, made or paid by the Company on any of its shares by reference to a record date falling on or before the Conversion Date.

2.3 The Ordinary Shares arising on Conversion of the C Shares shall rank in full for all dividends and other distributions declared after that time.

2.4 The Deferred Shares (to the extent that any are in issue and extant) shall entitle the holders thereof to a cumulative dividend at a fixed rate of 0.1 per cent. of the nominal amount thereof (“**the Deferred Dividend**”) on the date six months after the Conversion Date (“**the Deferred Dividend Date**”) payable to the holders thereof on the Register on that date as holders of Deferred Shares but shall confer no other right on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the Deferred Dividend Date and shall then only be payable to those holders of Deferred Shares registered in the Register as holders of Deferred Shares on the Deferred Dividend Date.

3. Rights as to Capital

3.1 The capital and assets of the Company shall on a winding-up or on a return of capital prior, in each case, to Conversion be applied as follows:

(a) the Ordinary Share Surplus shall be divided amongst the holders of the Ordinary Shares and Subscription Shares in accordance with the Articles; and

(b) the C Share Surplus shall be divided amongst the holders of the C Shares *pro rata* according to their holdings of C Shares.

3.2 The capital and assets of the Company shall on a winding-up or on a return of capital after Conversion be applied as follows:

(a) first, if there are for the time being Deferred Shares in issue, in paying to the Deferred Shareholders 1p in respect of each 100,000 Deferred Shares of which they are respectively the holders; and

- (b) secondly, the surplus shall be divided amongst the holders of Ordinary Shares and Subscription Shares in accordance with the Articles.

4. Voting Rights

Except as provided in paragraph 7 below, the C Shares shall not carry any right to attend or vote at any General Meeting of the Company. The Deferred Shares shall not carry any right to attend or vote at any General Meeting of the Company. The voting rights of the Existing Shares are not affected.

5. Redemption

- 5.1 The C Shares are issued on terms that the Deferred Shares but not the Ordinary Shares arising on Conversion shall be redeemable by the Company in accordance with the terms set out in the Articles of Association of the Company.
- 5.2 Immediately upon Conversion, the Company shall redeem all of the Deferred Shares for an aggregate consideration of 1p for every 100,000 Deferred Shares and the notice referred to in paragraph 9.2 below shall be deemed to constitute notice to each C Shareholder (and any person or persons having rights to acquire or acquiring C Shares on or after the Calculation Date) that the Deferred Shares shall be redeemed immediately upon Conversion for an aggregate consideration of 1p for every 100,000 Deferred Shares.
- 5.3 The Company shall not be obliged to issue share certificates to the Deferred Shareholders in respect of the Deferred Shares and shall not be obliged to account to any Deferred Shareholder for the redemption monies in respect of such shares unless the relevant holder applies to the Company in writing requesting payment of the said redemption monies.

6. Conversion

C Shares shall be sub-divided and converted into Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the provisions of paragraph 9 below.

7. Class Consents and Variation of Rights

Until Conversion, the consent of each of (i) the holders of the C Shares as a class and (ii) the holders of the Ordinary Shares as a class shall be required for, and accordingly the special rights attached to the C Shares and the Ordinary Shares shall be deemed to be varied, *inter alia*, by:

- (a) any alteration to the Articles of Association of the Company; or
- (b) any alteration, increase, consolidation, division, sub-division, cancellation, reduction or purchase by the Company of any shares in the capital of the Company (other than (i) on Conversion; or (ii) redemption of the Deferred Shares in accordance with the provisions of the Articles of Association of the Company); or
- (c) any allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company or any other right to subscribe or acquire share capital of the Company; or
- (d) the passing of any resolution to wind up the Company; or
- (e) the selection of any accounting reference date other than 30 June.

8. Undertakings

Until Conversion and without prejudice to its obligations under the Statutes, the Company shall: (i) procure that the Company's records and bank and custody accounts shall be operated so that the assets attributable to the C Shareholders can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to the Statutes, procure that separate cash accounts, broker settlement accounts and

investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the C Shareholders; (ii) allocate to the assets attributable to the C Shareholders such proportion of the expenses and liabilities of the Company incurred or accrued between the Issue Date and the Calculation Date (both dates inclusive) as the Directors fairly consider to be allocable to the C Shares; and (iii) give appropriate instructions to the Manager to manage the Company's assets so that such undertakings can be complied with by the Company.

9. The Conversion Process

9.1 The Directors shall procure that:

- (a) within ten business days of the Calculation Date the Conversion Ratio as at the Calculation Date and the numbers of Ordinary Shares and Deferred Shares to which each C Shareholder shall be entitled on Conversion shall be calculated; and
- (b) the Auditors shall be requested to certify, within ten business days of the Calculation Date, that such calculations:
 - (i) have been performed in accordance with the Articles of Association of the Company; and
 - (ii) are arithmetically accurate;

whereupon, subject to the proviso immediately after "H" contained in paragraph 1 above, such calculations shall become final and binding on the Company and all Shareholders.

9.2 The Directors shall procure that as soon as practicable following such certification a notice is sent to each C Shareholder advising such C Shareholder of the Conversion Date, the Conversion Ratio and the numbers of Ordinary Shares, Deferred Shares and Subscription Shares to which such C Shareholder shall be entitled on Conversion of such C Shareholder's C Shares.

9.3 On Conversion each C Share in issue shall automatically sub-divide into one hundred C Shares of 1 pence each and such C Shares of 1 pence each shall automatically convert into such number of Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such conversion being completed:

- (a) the aggregate number of Ordinary Shares into which the same number of C Shares of 1 pence each are converted equals the number of C Shares in issue on the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole Ordinary Share); and
- (b) each C Share which does not so convert into Ordinary Shares shall convert into one Deferred Share.

9.4 The Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former C Shareholders *pro rata* according to their respective former holdings of C Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).

9.5 Forthwith upon Conversion, the share certificates relating to the C Shares shall be cancelled and the Company shall issue to each former C Shareholder new certificates in respect of the Ordinary Shares which have arisen upon Conversion. Share certificates in respect of the Deferred Shares will not be issued.

9.6 Forthwith upon Conversion, the rights attaching to the C Shares under the Articles of Association of the Company shall lapse.

PART III

DETAILS OF THE SUBSCRIPTION SHARES

Upon Conversion of the C Shares into New Ordinary Shares, holders of New Ordinary Shares will receive a Bonus Issue of Subscription Shares on the basis of the then prevailing Subscription Share Ratio as described on page 23 (*Bonus Issue of Subscription Shares in respect of New Ordinary Shares*) of this document. The Subscription Shares to be issued pursuant to the Bonus Issue will be issued on the same terms as the Existing Subscription Shares as set out in the Articles. A description of the rights and restrictions attaching to the Subscription Shares is set out in this Part III.

1. Subscription Share Rights

- (a) A registered holder for the time being of a Subscription Share (a **Subscription Shareholder**) shall have a right (**Subscription Share Right**) exercisable on any Business Day up to and including 31 October 2014 (the **Final Subscription Date**) (any date on which exercise occurs being described as a **Subscription Date**) to subscribe for all or any of the Ordinary Shares to which his Subscription Shares relate at 100p per Ordinary Share (the **Subscription Price**).

The Subscription Price shall be payable in full in Sterling on subscription.

Each Subscription Share relates to one Ordinary Share, but the Subscription Price (and/or the number of Subscription Shares outstanding) will be subject to adjustment as provided in paragraph 2 below.

In these provisions the **Net Asset Value** or NAV means the unaudited value of all the Company's assets calculated in accordance with the Company's accounting policies less all prior charges and other creditors at their fair value. Prior charges include all loans and overdrafts that are to be used for investment purposes. **Business Day** for this purpose means any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays).

- (b) Subscription Shares will be issued in registered form and may be held in either certificated form (**Certificated Subscription Shares**) or uncertificated form (**Uncertificated Subscription Shares**). In the case of:
- (i) Certificated Subscription Shares, a Subscription Shareholder will be entitled to a share certificate in respect of his holding of Subscription Shares; and
 - (ii) Uncertificated Subscription Shares, a Subscription Shareholder's title to such Subscription Shares will be recorded in the relevant register as being held in such form as will by virtue of the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (**Regulations**) enable the transfer of title to the Subscription Shares to be effected without a written instrument by means of a relevant electronic system (a **Relevant Electronic System**).
- (c) In order to exercise, in whole or in part, the Subscription Share Rights which are conferred by any Certificated Subscription Shares, the Subscription Shareholder must lodge the relevant Subscription Share certificate(s) (or such other document(s) as the directors of the Company (the **Directors**) may, in their absolute discretion, accept) at the office of the registrars for the time being of the Company (the **Registrars**) by not later than 5.00 p.m. on any Business Day up to and including 31 October 2014 having completed the notice of exercise of Subscription Share Rights thereon (or by giving such other notice of exercise of Subscription Share Rights as the Directors may, in their absolute discretion, accept), accompanied by a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Share Rights are being exercised. Any notice of exercise received after 5.00 p.m. on any Business Day will be treated as having been received on the following Business Day. Once lodged, a notice of exercise of Subscription Share Rights shall be irrevocable save with the consent of the Directors. To be effective, compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (d) The Subscription Share Rights which are conferred by any Uncertificated Subscription Shares on the relevant Subscription Date shall be exercisable, in whole or in part, (and treated by the Company as exercised) on the relevant Subscription Date if, not later than 5.00 p.m. on the relevant Subscription Date, (i) an Uncertificated Subscription Notice is received as referred to below and (ii) a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Share Rights are being exercised is received by the Company (or by such person as it may require for these purposes).

For these purposes, an **Uncertificated Subscription Notice** shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company (or by such person as it may require for these purposes) in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the regulations and the facilities, rules and requirements of the Relevant Electronic System). The Directors may, in addition but subject to the regulations and facilities and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and any such remittance is to be treated as received by the Company or by such person as it may require for these purposes. Without prejudice to the generality of the foregoing, the effect of the Uncertificated Subscription Notice may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person. Once lodged, an Uncertificated Subscription Notice shall be irrevocable save with the consent of the Directors. To be effective, compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (e) Not later than 30 days before the Final Subscription Date, the Company shall give notice in writing to the holders of the outstanding Subscription Shares reminding them of their Subscription Share Rights and, in relation to any Uncertificated Subscription Shares, stating the form of Uncertificated Subscription Notice prescribed by the Directors.
- (f) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by any Certificated Subscription Shares will be allotted within ten Business Days of the first Business Day of the calendar month following the month in which the relevant notice of exercise of Subscription Share Rights is given in accordance with paragraph 1(c) above, save in the case of the Final Subscription Date when the relevant Ordinary Shares will be allotted not later than 14 days after from the Final Subscription Date. The Ordinary Shares arising on exercise of the Subscription Share Rights shall be allotted with effect from the date of their allotment (and not the date upon which the notice of exercise is given or deemed given in accordance with paragraph 1(c) above). Certificates in respect of such Ordinary Shares, together, if applicable, with a new certificate for the balance of any Certificated Subscription Shares in respect of which the Subscription Share Rights have not been exercised, will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant allotment date to the person(s) in whose name(s) the Subscription Share is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any other tax as may be applicable) to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all).
- (g) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by any Uncertificated Subscription Shares will be allotted within ten Business Days of the first Business Day of the calendar month following the month in which the relevant Uncertificated Subscription Notice is given in accordance with paragraph 1(d) above, save in the case of the Final Subscription Date when the relevant Ordinary Shares will be allotted not later than 14 days after the Final Subscription Date. The Ordinary Shares arising on exercise of the Subscription Share Rights shall be allotted with effect from the date of their allotment (and not the date upon which the Uncertificated Subscription Notice is given in accordance with paragraph 1(d) above). The Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be credited in uncertificated form to the relevant account within the Relevant Electronic System

- of the person(s) in whose name(s) the Subscription Shares in respect of which Subscription Share Rights have been exercised were registered as at the date of such exercise or (subject as provided by law, to the payment of stamp duty reserve tax or any other tax as may be applicable, to such terms and conditions as the Directors may from time to time prescribe for this purpose, to the regulations, and the facilities, rules and requirements of the Relevant Electronic System) to such other person(s) (not being more than four in number) as may be named in the properly authenticated dematerialised instruction and/or other instruction or notification in such form.
- (h) For the avoidance of doubt, unless the Directors otherwise determine or unless the regulations or the facilities, rules or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of any Subscription Share Rights shall be issued in certificated form where such Subscription Share Rights were conferred by Certificated Subscription Shares and in uncertificated form where such Subscription Share Rights were conferred by Uncertificated Subscription Shares.
 - (i) Ordinary Shares allotted pursuant to the exercise of Subscription Share Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant allotment date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the relevant allotment date.
 - (j) For so long as the Company's Ordinary Shares are admitted to the Official List and to trading on the London Stock Exchange's Main Market for listed securities, it is the intention of the Company to apply (i) to the UK Listing Authority for the Ordinary Shares allotted pursuant to any exercise of Subscription Share Rights to be admitted to the Official List and (ii) to the London Stock Exchange for such shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities. The Ordinary Shares arising pursuant to any exercise of Subscription Share Rights will be allotted subject to admission to the Official List and to trading on the London Stock Exchange's Main Market for listed securities. **Official List** for this purpose means the official list of the UK Listing Authority. **UK Listing Authority** for this purpose means the Financial Services Authority of the United Kingdom acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000.
 - (k) Each notice of exercise of Subscription Share Rights and each Uncertificated Subscription Notice will be deemed to contain a representation that at the time of submission to the Company, the holder of the Subscription Shares concerned is not a US Person (as defined in paragraph 1(l) below) or a person in Canada, Australia, Japan, New Zealand or the Republic of South Africa or, if he is such a person, his exercise of Subscription Share Rights is permitted by, and will not infringe, the securities laws of the relevant jurisdiction.
 - (l) Without prejudice to the generality of the final sentences of paragraphs 1(c) and 1(d) above, the exercise of Subscription Share Rights by any Subscription Shareholder or beneficial owner of the Subscription Shares who is a US Person or a person in Canada, Australia, Japan, New Zealand or the Republic of South Africa or the right of such a Subscription Shareholder or beneficial owner to receive the Ordinary Shares falling to be issued to him following the exercise of his Subscription Share Rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its sole discretion, for the purpose of complying with (or for avoiding any requirement which would otherwise arise to comply with) the securities laws of the United States (including, without limitation, the United States Securities Act of 1933, as amended, the United States Investment Company Act of 1940, as amended, and any rules or regulations promulgated under such Acts) and the laws of Canada, Australia, Japan, New Zealand and the Republic of South Africa. As used herein, **US Person** means any person or entity defined as such in Rule 902 (o) under the United States Securities Act of 1933, as amended and, without limiting the generality of the foregoing, US Person includes a natural person resident in the United States, a corporation, partnership or other entity created, organised or incorporated under the laws of the United States (including any State thereof) and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a

branch or agency of a US Person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located and **United States** means the United States of America (including the States thereof and the District of Columbia), its territories and possessions or other areas subject to its jurisdiction.

2. Adjustments of Subscription Share Rights

The Subscription Price (and/or the number of Subscription Shares outstanding) shall from time to time be adjusted in accordance with the provisions of this paragraph 2:

- (a) If and whenever there shall be an alteration on a date (or by reference to a record date) on or before the Final Subscription Date in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the Subscription Price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which (x) the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and (y) the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) on a date (or by reference to a date) on or before the Final Subscription Date, the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which (x) the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such allotment and (y) the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (c) If on a date (or by reference to a record date) on or before the Final Subscription Date, the Company makes any offer or invitation (whether by way of rights issue, open offer or otherwise but not being an offer made in connection with scrip dividend arrangements) to the holders of the Ordinary Shares (subject to such exclusions as may be necessary to deal with legal, regulatory or practical problems in any jurisdiction) to subscribe for New Ordinary Shares or for securities convertible into or exchangeable for Ordinary Shares or conferring rights to subscribe for Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(f) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Subscription Shareholders as if their Subscription Share Rights had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (f)) on which the same could have been exercised on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Subscription Shareholders but the Subscription Price shall be adjusted:
 - (i) in the case of an offer of New Ordinary Shares for subscription (by way of a rights issue or open offer) at a price less than the net asset value per Ordinary Share as at the close of business on the Business Day immediately preceding the date of announcement of the terms (including the pricing) of the offer (the **Pricing Date**) (a **Dilutive Ordinary Share Offer**), by multiplying the Subscription Price in force immediately before the Pricing Date by a fraction of which (x) the numerator is the Fully Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date and (y) the denominator is the Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date; and

- (ii) in the case of an offer under which securities convertible into, or exchangeable for, Ordinary Shares or conferring rights of subscription for Ordinary Shares are offered by the Company (by way of a rights issue or open offer) and the price at which such securities are convertible into or exchangeable for Ordinary Shares or the price at which Ordinary Shares may be subscribed pursuant to the rights conferred by such securities (as the case may be) is less than the net asset value per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date (a **Dilutive Alternative Securities Offer**), by multiplying the Subscription Price in force immediately before the Pricing Date by a fraction of which (x) the numerator is the Fully Diluted NAV per Ordinary Share as at the close of business on the business day immediately preceding the Pricing Date and (y) the denominator is the Diluted NAV per Ordinary Share as at the close of business on the business day immediately preceding the Pricing Date; and
- (iii) in any other case, in such manner as the independent financial advisers appointed by the Board (the **Financial Advisers**) shall report in writing to be fair and reasonable.

For the purposes of this paragraph 2(c):

- (I) **Relevant Securities** means any securities of the Company (including the Subscription Shares) in issue as at the relevant date which are convertible into, or exchangeable for, Ordinary Shares or which confer rights of subscription for Ordinary Shares or which otherwise could result in the issue of New Ordinary Shares, in each case at a price less than the then prevailing net asset value per Ordinary Share;
- (II) the **Diluted NAV per Ordinary Share** shall be the amount calculated in accordance with the following formula:

$$\text{DNAV} = \frac{(A + B)}{(C + D)}$$

where:

DNAV = the Diluted NAV per Ordinary Share;

A = the net assets of the Company as at the close of business on the Business Day immediately preceding the Pricing Date;

B = an amount equal to the product of (x) the number of New Ordinary Shares which would fall to be issued by the Company if the rights conferred by all Relevant Securities were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date at the conversion, exchange or subscription price (as the case may be) applicable on the next occasion on which such rights are then capable of exercise (disregarding, in the case of the Subscription Shares, any adjustment required by reason of the relevant offer or invitation under this paragraph 2(c)) and (y) such conversion, exchange or subscription price (as the case may be);

C = the number of Ordinary Shares in issue as at the Pricing Date;

D = the number of New Ordinary Shares that would result from the exercise in full (on the basis set out in B above) of all the rights conferred by the Relevant Securities; and

- (III) the **Fully Diluted NAV per Ordinary Share** shall be the amount calculated in accordance with the following formula:

$$\text{FNAV} = \frac{(A + B + E)}{(C + D + F)}$$

where:

FNAV = the Fully Diluted NAV per Ordinary Share;

A = the net assets of the Company as at the close of business on the Business Day immediately preceding the Pricing Date;

B = an amount equal to the product of (x) the number of New Ordinary Shares which would fall to be issued by the Company if the rights conferred by all Relevant Securities were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date at the conversion, exchange or subscription price (as the case may be) applicable on the next occasion on which such rights are then capable of exercise (disregarding, in the case of the Subscription Shares, any adjustment required by reason of the relevant offer or invitation under this paragraph 2(c)) and (y) such conversion, exchange or subscription price (as the case may be);

C = the number of Ordinary Shares in issue as at the Pricing Date;

D = the number of New Ordinary Shares that would result from the exercise in full (on the basis set out in B above) of all the rights conferred by the Relevant Securities;

E = (i) in the case of a Dilutive Ordinary Share Offer, an amount equal to the number of New Ordinary Shares offered for subscription multiplied by the issue price less the expenses of the offer and (ii) in the case of a Dilutive Alternative Securities Offer, an amount equal to the aggregate of (a) the product of (x) the number of New Ordinary Shares which would fall to be issued by the Company if the rights to be conferred by all the securities the subject of the offer were exercisable and had been exercised in full on the business day immediately preceding the Pricing Date at the initial conversion, exchange or subscription price (as the case may be) and (y) such conversion, exchange or subscription price (as the case may be), less the expenses of the Dilutive Alternative Securities Offer and (b) the net proceeds of such offer to be received by the Company to the extent (if any) not reflected in (a); and

F = (i) in the case of a Dilutive Ordinary Share Offer, the number of New Ordinary Shares the subject of the offer assuming the same had been issued on the Business Day immediately preceding the Pricing Date and (ii) in the case of a Dilutive Alternative Securities Offer, the number of New Ordinary Shares that would result from the exercise in full of the rights conferred by all the securities the subject of the offer if such rights were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date.

- (d) No adjustment will be made to the Subscription Price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above) if it would result in an increase in the Subscription Price and, in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than 1 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest whole penny. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment.

- (e) Whenever the Subscription Price is adjusted as provided in accordance with paragraphs 2(a) to (d) above (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 2(a) above), the Company shall issue, for no payment, additional Subscription Shares to each Subscription Shareholder at the same time as such adjustment takes effect and the nominal value of such shares shall be paid up in full in accordance with paragraph 8(i)(v). The number of additional Subscription Shares to which a holder of Subscription Shares will be entitled shall be the number of existing Subscription Shares held by him before such adjustment multiplied by the following fraction:

$$\frac{(X - Y)}{Y}$$

where:

- X = the Subscription Price (for the next Subscription Date) immediately before the adjustment of the Subscription Price; and the net assets of the Company as at the close of business on the Business Day immediately preceding the Pricing Date;
- Y = the Subscription Price (for the next Subscription Date) immediately after the adjustment of the Subscription Price.

Fractions of Subscription Shares will not be allotted to holders of Subscription Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Subscription Shareholders entitled thereto at the risk of such persons, save that amounts of less than £5.00 will be retained for the benefit of the Company. Subscription Share certificates relating to such additional Certificated Subscription Shares will be issued within 21 days of the said adjustment taking effect or the Company will procure that appropriate instructions are given to enable such additional Uncertificated Subscription Shares to be credited to the relevant account within the Relevant Electronic System of the person(s) in whose name(s) the Subscription Shares are registered as at the date of the adjustment.

- (f) Whenever the Subscription Price is adjusted in accordance with this paragraph by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above, the number of Ordinary Shares into which each holder of Subscription Shares is entitled to convert such Subscription Shares will be reduced accordingly.
- (g) The Company shall give notice to holders of Subscription Shares within 28 days of any adjustment made pursuant to paragraphs 2(a) to (f) above.
- (h) If a holder of Subscription Shares shall become entitled to exercise his Subscription Share Rights pursuant to paragraph 3(f) below, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Financial Advisers in accordance with the following formula:

$$A = (B + C) - D$$

where:

- A = the reduction in the Subscription Price;
- B = the Subscription Price which would, but for the provisions of this paragraph 2(h), be applicable (having taken into account any adjustments previously made pursuant to paragraphs 2(a) to (f) above) on the date on which the Company shall become aware as provided in paragraph 3(f) below;
- C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made,

provided that:

- (i) the Subscription Price shall not be reduced so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this proviso (i), have reduced the Subscription Price to below the nominal value of an Ordinary Share, the number of Ordinary Shares for which a holder of a Subscription Share may subscribe pursuant to paragraph 3(f) below shall be adjusted in such manner as the Financial Advisers shall report to be appropriate to achieve the same economic result for the Subscription Shareholders as if the Subscription Price had been reduced without regard to this proviso (i); and
- (ii) no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C in the above formula.

The notice required to be given by the Company under paragraph 3(f) below shall give details of any reduction in the Subscription Price pursuant to this paragraph 2(h).

- (i) Notwithstanding the provisions of paragraphs 2(a) to 2(h) above, in any circumstances, where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided under the said provisions, the Company may appoint the Financial Advisers to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would or might not appropriately reflect the relative interests of the persons affected thereby and, if the Financial Advisers shall consider this to be the case, the adjustment shall be modified or nullified, or another adjustment made instead, or no adjustment made, in such manner including without limitation making an adjustment calculated on a different basis and/or to take effect from such other date and/or time as shall be reported by the Financial Advisers to be in their opinion appropriate.

3. Other provisions

So long as any Subscription Share Rights remain capable of exercise:

- (a) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders):
 - (i) make, pay or declare any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
 - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares or the issue of further Subscription Shares to the Subscription Shareholders in accordance with the rights attaching to the Subscription Shares; or
 - (iii) on or by reference to a record date falling within the period of six weeks ending on the Final Subscription Date, make any such allotment as is referred to in paragraph 2(b) above or any such offer or invitation as is referred to in paragraph 2(c) above (except by extending to the Subscription Shareholders any such offer or invitation as may be made by a third party);

- (b) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of equity share capital (as defined in section 548 of the 2006 Act) except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital (save as to the date from which such shares shall rank for dividends or distributions), provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital or to issue further Ordinary Shares which carry, as compared to the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividends or return of capital;
- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(c) if, in either case, the Company would on any subsequent exercise of the Subscription Share Rights be obliged to issue Ordinary Shares at a discount to nominal value;
- (d) the Company shall not (except with the sanction of a special resolution of the holders of the Subscription Shares or in connection with a purchase of shares made in accordance with paragraph 3(i) below or for a reduction not involving any payment to Shareholders) reduce any of its share capital or any uncalled or unpaid liability in respect of any of its share capital;
- (e) except in the circumstances where paragraph 2(c) applies, the Company shall not grant (or agree to grant) any option in respect of, or create any rights of subscription for, or conversion into, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription or conversion (including those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares (excluding any treasury shares) then in issue, nor (except with the sanction of a special resolution of the Subscription Shareholders) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of subscription for, or issue any securities or loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the Subscription Price for the time being;
- (f) subject as provided in paragraph 3(g) below, if at any time an offer is made to all Shareholders (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the Final Subscription Date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Subscription Shareholders of such vesting or pending vesting within 14 days of its becoming so aware, and each such Subscription Shareholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Share Rights on the terms (having taken into account any adjustments pursuant to paragraphs 2(a) to (f) and 2(h) above) on which the same could have been exercised if they had been exercised on the date on which the Company shall become aware as aforesaid. The publication of a scheme of arrangement under sections 895 to 901 of the 2006 Act providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(f) and reference herein to such an offer shall be read and construed accordingly;
- (g) if under any offer as referred to in paragraph 3(f) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of securities to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to such financial advisers to be relevant), then a Subscription Shareholder shall not have the right to exercise his Subscription Share Rights on the basis referred

to in paragraph 3(f) above and, subject to the offer as referred to in paragraph 3(f) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it or its associates (as defined in section 988 of the 2006 Act), any Director shall be irrevocably authorised as attorney for the holders of Subscription Shares who have not accepted the offer of securities to subscribe for ordinary shares in the offeror in exchange for the relevant Subscription Shares and who have not exercised the Subscription Share Rights attaching to their Subscription Shares before such offer becomes or is declared unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it or its associates:

- (i) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror in consideration of the issue of securities to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Subscription Share Rights shall lapse; and
 - (ii) to do such acts and things as may be necessary or appropriate in connection therewith;
- (h) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution of the Subscription Shareholders), each Subscription Shareholder shall be entitled to receive out of the assets available in the liquidation, *pari passu*, with the holders of the Ordinary Shares and *pro rata* to their holding of Subscription Shares as at the commencement of the liquidation, such proportion of the assets available for distribution and distributed in the liquidation as is equal to the greater of:

- (i) the proportion produced by the following formula:

$$\frac{MP \times N}{SA}$$

where:

MP = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of a meeting (as the case may be) or that the same is proposed

N = the number of Subscription Shares in issue immediately prior to the commencement of the liquidation

SA = the surplus assets available in the liquidation; and

- (ii) the proportion produced by the following formula:

$$\frac{IV \times N}{SA}$$

where:

IV = the excess of the Diluted NAV per Ordinary Share over the Subscription Price immediately prior to the commencement of the liquidation

N = the number of Subscription Shares in issue immediately prior to the commencement of the liquidation

SA = the surplus assets available in the liquidation

For the avoidance of doubt, the entitlement of Subscription Shareholders pursuant to this paragraph 3(h) shall be payable out of the assets available in the liquidation without the Subscription Shareholders having to make any subscription or payment. Subject to the foregoing, all Subscription Share Rights shall lapse on liquidation of the Company.

Notwithstanding the foregoing provisions of this paragraph 3(h), where the Directors, in their reasonable opinion, shall consider that the economic result produced by the application of such provisions would or might not fairly and appropriately reflect the relative interests of the persons affected thereby, the Directors may appoint the Financial Advisers to consider and report on what (if any) adjustments should be made to such provisions so as to produce an economic result which, in the opinion of the Financial Advisers, fairly and appropriately reflects the relative interests of the persons affected thereby, and in the event of any such report by the Financial Advisers the provisions of this paragraph 3(h) shall be deemed to be varied and take effect accordingly;

- (i) notwithstanding paragraphs 3(a) to (h) above, the Company may, without the sanction of special resolution of the Subscription Shareholders:
 - (i) purchase any of its own equity share capital (whether by tender, by private treaty or through the market);
 - (ii) hold its Ordinary Shares in treasury (for the purposes of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003) and sell any such Ordinary Shares held in treasury; and
 - (iii) effect a reduction in its share premium account or capital redemption reserve in accordance with the provisions of the 2006 Act.

4. Issue of C Shares

- (a) Notwithstanding the provisions of paragraph 3 above, a Qualifying C Share Issue (as defined in (b) below) shall not constitute an alteration or abrogation of the rights attached to the Subscription Shares (and shall not require the sanction of a special resolution of the Subscription Shareholders) even though it may involve modification of the rights attached to the existing Ordinary Shares of the Company or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the Net Asset Value per Ordinary Share.
- (b) For this purpose, a Qualifying C Share Issue means an issue by the Company of shares which will, within one year of the date of issue thereof, be converted into Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of subscription shares or warrants (whether on the same terms and conditions as the Subscription Shares or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Ordinary Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of the Company, including share capital with preferred or deferred rights. The Issue is a Qualifying C Share Issue for these purposes.

5. Modification of Rights

All or any of the rights for the time being attached to the Subscription Shares and any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of a special resolution of the Subscription Shareholders.

6. Purchase

Subject to the provisions of the 2006 Act the Company (or any of its subsidiaries) shall have the right to purchase Subscription Shares in the market, by tender or by private treaty but:

- (a) such purchases will be limited to a maximum price per Subscription Share which (other than in the case of purchases by tender) will not exceed the higher of (i) 5 per cent. above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for a Subscription Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the value of a Subscription Share calculated on the basis of the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out; and
- (b) if such purchases are by tender, such tender will be available to all Subscription Shareholders alike. All Subscription Shares so purchased shall forthwith be cancelled and shall not be available for re-issue or resale.

7. Transfer

Each Subscription Share will be in registered form and will be transferable:

- (a) in the case of Certificated Subscription Shares, by an instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors; and
- (b) in the case of Uncertificated Subscription Shares, by giving the appropriate instructions for transfer by means of the Relevant Electronic System.

No transfer of a fraction of a Subscription Share may be effected.

8. General

- (a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each Subscription Shareholder (or, in the case of joint holders, to the first named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (b) For the purposes of the rights attaching to Subscription Shares, a **special resolution of the Subscription Shareholders** means a resolution proposed at a meeting of the Subscription Shareholders duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.
- (c) Any determination or adjustment made pursuant to the rights attaching to Subscription Shares by the Financial Advisers shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Subscription Shareholders.
- (d) Any references in the rights attaching to Subscription Shares to a statutory provision shall include that provision as from time to time modified or re-enacted.
- (e) Subject and without prejudice to paragraph 3(h) above Subscription Shares carry no right to any dividend or other distribution by the Company and (save to the extent that the Directors elect in connection with an exercise of Subscription Share Rights as provided in paragraph 8(i) below) no right to be redeemed (although the Company may elect to purchase Subscription Shares pursuant to paragraph 6). Subscription Shareholders are not entitled to attend or vote at meetings of Ordinary Shareholders and have no right to share in any surplus in the event of liquidation beyond the right to be repaid the sum of one penny, being the nominal value of each Subscription Share

(in respect of which Subscription Share Rights have not been exercised) held (which right ranks immediately after the right of the Ordinary Shareholders to be repaid the nominal value of 1p for each Ordinary Share), but subject and without prejudice to paragraph 3(h) above.

- (f) If, immediately after any Subscription Date (other than the Final Subscription Date) and after taking account of any Subscription Share Rights exercised on that date, Subscription Share Rights shall have been exercised or cancelled in respect of 75 per cent. or more of the Subscription Shares originally issued (subject to the adjustment of the number of Subscription Shares in accordance with paragraph 2 above (excluding any Ordinary Shares to which Subscription Share Rights attached to Subscription Shares purchased by the Company or any of its subsidiaries relate but including any further Subscription Shares issued in accordance with the Articles)), the Company shall be entitled at any time within the next following 14 days to serve notice in writing on the holders of the Subscription Shares then outstanding of its intention to appoint a trustee for the purposes set out in this paragraph 8(f) (the “**Early Subscription Trustee**”) upon the expiry of 21 days from the date of such notice (the “**Notice Period**”) and for this purpose the Notice Period shall expire at 3.00 p.m. on the 21st day from the date of such notice. Such notice shall set out the Final Subscription Date and will include all necessary details and instructions to enable the exercise of the Subscription Share Rights. Forthwith after the expiry of the Notice Period, the Company shall appoint the Early Subscription Trustee who, provided that in such trustee’s opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of 14 days following the expiry of the Notice Period either:
- (i) exercise all the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised immediately prior to the expiry of the Notice Period and had been exercised (having taken into account any adjustments previously made pursuant to paragraph 2 above) and sell in the market the Ordinary Shares resulting from such exercise; or
 - (ii) (if it appears to the Early Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Early Subscription Trustee shall distribute *pro rata* the net proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other fees, costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable after such sale and in any event within 28 days after the expiry of the Notice Period, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. Following the expiry of the Notice Period, if the Early Subscription Trustee shall not exercise the Subscription Share Rights then outstanding within the period of 14 days following such expiry as set out in this paragraph 8(f) (and such trustee’s decision in respect thereof shall be final and binding on all holders outstanding Subscription Shares), all Subscription Share Rights shall lapse on the expiry of such period of 14 days.

- (g) Within seven days following the Final Subscription Date the Company shall appoint a trustee (the “**Final Subscription Trustee**”) who, provided that in such trustee’s opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of 14 days following the Final Subscription Date, either:
- (i) exercise all the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised on the Final Subscription Date (having taken into account any adjustments previously made pursuant to paragraph 2 above) and sell in the market the Ordinary Shares resulting from such exercise; or
 - (ii) (if it appears to the Final Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Final Subscription Trustee shall distribute *pro rata* the net proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other fees, costs and expenses to the persons entitled thereto at the risk of such persons within 56 days of the Final Subscription Date, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. If the Final Subscription Trustee shall not exercise the Subscription Share Rights within the period of 14 days following the Final Subscription Date as set out in this paragraph 8(g) (and such trustee's decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all Subscription Share Rights shall lapse.

- (h) The Early Subscription Trustee or the Final Subscription Trustee (as appropriate) shall have no liability of any nature whatsoever where such trustee has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (i) The exercise of the Subscription Share Rights shall be effected in accordance with this paragraph 8(i) or in such manner as may be authorised by law. For the purposes of this paragraph 8(i) the Relevant Shares shall mean those Subscription Shares in respect of which Subscription Share Rights are exercised.

- (i) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of profits of the Company pursuant to the authority granted by special resolution number 3 set out in the Notice of General Meeting which would otherwise be available for distribution. In the event that the Directors determine to redeem the same at par out of such profits, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and such holder shall be deemed to have appointed the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder's behalf for, one Ordinary Share at such price as shall represent the aggregate of:

- (a) the Subscription Price; and

- (b) the amount of the redemption moneys to which the holder is entitled;

and in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

- (ii) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of the proceeds of a fresh issue of Ordinary Shares. In the event that the Directors determine to redeem the same at par out of such proceeds, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and such holder shall be deemed to have authorised the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder's behalf for, one Ordinary Share at such price as shall represent the aggregate of:

- (a) the Subscription Price; and

- (b) the amount of the redemption moneys to which the holder is entitled;

and in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

- (iii) To enable such subscription to be effected, the Directors may determine to effect such subscription by means of a consolidation and sub-division of the Relevant Shares. In such case the requisite consolidation and sub-division shall be effected pursuant to the authority granted by special resolution number 3 set out in the Notice of General Meeting by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a Subscription Notice shall have been given in respect of the relevant

Subscription Date (treating holdings of the same holders or joint holders in certificated form and uncertificated form as separate holdings, unless the Directors otherwise determine) and, if the Directors so determine, any shares allotted to such holder or joint holder pursuant to paragraph 8(i)(v) and converting (and, if necessary, sub-dividing) such consolidated share into shares of 25p each (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of which one share for every complete 25p (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of the nominal amount of the consolidated share shall be Ordinary Shares (fractional entitlements to an Ordinary Share being disregarded) and the balance (if any) of such consolidated share shall be deferred shares which shall carry the limited rights set out in the Articles but in particular will be capable of being redeemed by the Company without further authorisation.

- (iv) In relation to any Relevant Shares that are to be redeemed in accordance with paragraph 8(i)(i) or 8(i)(ii) and that are, on the Subscription Date concerned, in uncertificated form, the Directors shall be entitled in their absolute discretion to determine the procedures for the redemption of such Relevant Shares (subject always to the regulations and the facilities, rules and requirements of the Relevant Electronic System). Without prejudice to the generality of the foregoing, the procedures for the redemption of any such Relevant Shares may involve or include the sending by the Company or by any person on its behalf of an issuer instruction to the operator of the Relevant Electronic System requesting or requiring the deletion of any computer based entries in the relevant system concerned that relate to the holding of the Relevant Shares concerned, and/or the Company may, if the Directors so determine (by notice in writing to the holder concerned), require the holder of the Relevant Shares concerned to change the form of the Relevant Shares from uncertificated form to certificated form prior to the allotment date concerned (and in each case the Directors shall determine the procedure for such redemption).
- (v) To enable any subscription to be effected in accordance with paragraph 8(i)(i) or 8(i)(ii) above or the issue of any additional Subscription Shares pursuant to paragraph 2(e) above, special resolution number 2 will authorise the Directors to capitalise any part of the amount then standing to the credit of any of the Company's reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose and the same shall be applied in paying up in full at par shares to be allotted and issued, credited as fully paid, to and amongst the holders of the Subscription Shares exercising their Subscription Share Rights in accordance with their respective entitlements or otherwise to the holders of Subscription Shares in accordance with paragraph 2(e). The restrictions and limitations in these Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to paragraph 8(i) or paragraph 2(e) which shall instead be effected pursuant to the authority given by special resolution number 2.

PART IV

FINANCIAL INFORMATION

The statutory financial statements for Impax Asian Environmental Markets plc for the financial period ended 30 June 2010 (the “**2010 Annual Report and Accounts**”) were audited by Ernst & Young LLP, whose report was unqualified and did not contain any statements under subsections 498(2) and 498(3) of the 2006 Act. The Half-yearly Financial Report published by the Company on 24 February 2010 for the period from 11 September 2009 to 31 December 2009 was unaudited.

Selected Financial Information

	<i>2010 Annual Report and Accounts (Audited)</i>	<i>2009 Half-yearly Financial Report (Unaudited)</i>
Total net assets less current liabilities (£'000)	126,977	118,566
Undiluted NAV per Ordinary Share (p)	110.46	107.79
Diluted NAV per Ordinary Share (p)	108.85	106.54

Operating and financial review

The Company’s 2010 Annual Report and Accounts and the 2009 Half-yearly Financial Report (which have been incorporated in this document by reference) included, on the pages specified in the table below, descriptions of the Company’s financial condition (in both capital and revenue terms); details of the Company’s investment activity and portfolio exposure; and changes in its financial condition for that period.

<i>Nature of information</i>	<i>2010 Annual Report and Accounts Page no(s)</i>	<i>2009 Half-yearly Financial Report Page no(s)</i>
Chairman’s statement	3	1-2
Manager’s Report	4-6	3-5
Ten Largest Holdings	8-9	6*
Structure of Portfolio	7	7
Details of Individual holdings	10	N/A

* 5 largest holdings only

Statutory accounts for the financial period ended 30 June 2010

The Company’s 2010 Annual Report and Accounts and the 2009 Half-yearly Financial Report are available online at http://www.impax.co.uk/impax/funds/listed_funds/environ_market/ and <http://www.hemscott.com/nsm.do> and are also available for inspection at the addresses referred to in paragraph 16 of Part VI of this document.

	<i>2010 Annual Report and Accounts Page no(s)</i>	<i>2009 Half-yearly Financial Report Page no(s)</i>
Independent Auditors’ Report	26-27	N/A
Income Statement/Statement of Total Return	28	9
Balance Sheet	29	10
Reconciliation of Movement in Shareholders’ Funds	30	11
Cash Flow Statement	31	12
Notes to the Accounts	32-39	13-14

The 2010 Annual Report and Accounts and 2009 Half-yearly Financial Report have been prepared in accordance with UK Generally Accepted Accounting Practice (“GAAP”) and the Statement of Recommended Practice, issued by the Association of Investment Companies in January 2009.

Further details concerning the accounting policies of the Company can be found on page 32 of the 2010 Annual Report and Accounts.

PART V

TAXATION

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain shareholders, such as dealers in securities, insurance companies, collective investment schemes or shareholders who have (or are deemed to have) acquired their Shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares.

The information contained in this Prospectus relating to tax matters is a summary of the tax matters which the Directors consider should be brought to the attention of potential C Shareholders and Subscription Shareholders; it is not exhaustive and does not constitute legal or tax advice. All potential C Shareholders and Subscription Shareholders, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers.

The Company

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust under Chapter 4 of Part 24 CTA 2010 (previously section 842 of the Taxes Act) each year. The issue of C Shares and their subsequent Conversion will not prejudice the Company's ability to satisfy such conditions, but neither the Manager nor the Directors can guarantee that this approval will always be obtained.

Shareholders

Capital Gains Tax

Neither the Placing nor the Offer for Subscription constitutes a reorganisation of share capital for the purposes of the UK taxation of chargeable gains. Accordingly, the acquisition cost of the C Shares subscribed for under the Offer for Subscription will normally be an amount equal to their subscription price. The C Shares acquired by existing Shareholders will constitute a holding of shares separate from their holding of existing Ordinary Shares.

It is arguable that the Open Offer is not, strictly speaking, a reorganisation of the share capital of the Company for the purposes of the UK taxation of chargeable gains. However, HM Revenue & Customs may be prepared to treat it as such as a matter of practice. While HM Revenue & Customs' treatment of the Open Offer cannot therefore be guaranteed, and specific confirmation has not been requested in relation to the Open Offer, HM Revenue & Customs' published practice in broadly equivalent circumstances suggests that reorganisation treatment should apply in respect of the issue of the C Shares under the Open Offer to each Qualifying Shareholder up to their Open Offer Entitlement. Accordingly, the cost of any C Shares subscribed for by a Qualifying Shareholder up to each Shareholder's Open Offer Entitlement should generally be added to the base cost of such Shareholder's Existing Ordinary Shares (i.e. the Shareholder's existing Ordinary Shares and the C Shares up to the Shareholder's Open Offer Entitlement should be treated as the same asset for the purposes of UK taxation of chargeable gains). C Shares issued in excess of a Shareholder's Open Offer Entitlement will not be treated as the same asset as the Shareholder's existing Ordinary Shares. In these circumstances, the price paid for those C Shares will constitute that Shareholder's base cost for the purposes of the UK taxation of chargeable gains.

If the Open Offer is not treated as a reorganisation, C Shares allotted to a Shareholder pursuant to the Open Offer will not be treated as the same asset as the Shareholder's existing Ordinary Shares. In these circumstances, the price paid for all of the C Shares will constitute the Shareholder's base cost for the purposes of the UK taxation of chargeable gains.

Depending on the individual circumstances of an investor who subscribes for C Shares under the Open Offer or Offer for Subscription, a subsequent sale or other disposal of those C Shares may give rise to the realisation by the investor of a chargeable gain (or, as the case may be, allowable loss) for the purposes of UK taxation of chargeable gains.

Individual Shareholders who are resident or ordinarily resident in the UK for tax purposes will generally be subject to capital gains tax at the flat rate of 28 per cent. in respect of any gain arising on a disposal or deemed disposal of their C Shares or Subscription Shares, to the extent that such gain or part of such gain, when added to the Shareholder's total income, is above the basic threshold for income tax (or 18 per cent., to the extent that such gain, which when added to the Shareholder's total income, is less than the basic rate threshold for income tax). No indexation allowance will be available to such Shareholders. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,100 for the tax year 2010-2011.

In the case of a Shareholder within the charge to UK corporation tax, the subscription price for the new C Shares will qualify for indexation allowance from the date on which the relevant Shareholder paid or became liable to pay for such C Shares (and not, where the issue of those shares has been treated as a reorganisation, at the time the C Shares were deemed to be acquired). The indexation allowance may reduce the amount of chargeable gain subject to corporation tax but may not create or increase any allowable loss.

Shareholders who are not resident or ordinarily resident in the UK for tax purposes will not normally be liable to UK taxation on chargeable gains arising from a disposal of their C Shares or Subscription Shares unless they carry on a trade, profession or vocation in the UK through a branch or agency (or in the case of a corporate shareholder, a permanent establishment) in connection with which the Shares are held. Such C Shareholders or Subscription Shareholders, however, may be subject to foreign taxation depending upon their personal circumstances. Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

The Conversion of C Shares will constitute a reorganisation of share capital for the purposes of the UK taxation of chargeable gains. Accordingly, no liability to UK taxation in respect of capital gains will arise from such Conversion. Instead, the Ordinary Shares arising on Conversion will be treated for the purposes of UK taxation of chargeable gains as the same asset as the C Shares and as having been acquired on the same date as that on which the C Shares were acquired.

Subscription Shares

The Bonus Issue of Subscription Shares will constitute a reorganisation of share capital for the purposes of the UK taxation of chargeable gains. Accordingly, no liability to UK taxation in respect of capital gains will arise from the Bonus Issue. Instead, the Subscription Shares issued at the time of Conversion will be treated for the purposes of UK taxation of chargeable gains as the same asset as the New Ordinary Shares and as having been acquired on the same date as that on which the New Ordinary Shares are deemed to have been acquired.

The exercise of the rights conferred by the Subscription Shares will not constitute a disposal of the Subscription Shares (or any other asset) and will thus not itself give rise to a charge to taxation. The base cost that is attributable to the relevant Subscription Shares should be added to the amount paid on the exercise of the rights conferred by those Subscription Shares in computing the base cost of the Ordinary Shares acquired as a result of that exercise (and should thus be taken into account in computing any gain or loss arising on a subsequent disposal of Ordinary Shares).

Dividends

The tax treatment of any dividend paid by the Company on the C Shares will be the same as that of any dividend paid by the Company on its Existing Ordinary Shares. A summary of that tax treatment is as follows.

The Company will not be required to withhold any UK income tax from any dividend it pays.

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Shareholder's total income tax liability on the dividend. An individual UK resident Shareholder will be liable to income tax on the sum of the tax credit and the dividend (the "**gross dividend**") which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10 per cent. of the gross dividend. The tax credit therefore also equals one ninth of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full such a Shareholder's liability to income tax on the dividend.

The rate of income tax applied to dividends received by a UK resident individual Shareholder liable to income tax at the higher (40 per cent.) or additional (50 per cent.) rate will be 32.5 per cent. or 42.5 per cent. respectively to the extent that such dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for higher or additional rate income tax. In the case of such Shareholder's liability, the tax credit will be set against, but will not fully match, their tax liability on the gross dividend. After taking account of the 10 per cent. tax credit, such Shareholder will have to account for additional tax equal to 22.5 per cent. or 32.5 per cent. of the gross dividend (which equals 25 per cent. or 36.1 per cent. of the cash dividend received) to the extent that it falls above the threshold for higher or additional rate income tax.

A Shareholder who is not liable to tax on dividends received from the Company will not be entitled to claim payment of the tax credit in respect of those dividends. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. It is particularly important that Shareholders who are not resident in the UK for tax purposes obtain their own tax advice concerning tax liabilities on dividends received from the Company.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim a repayment of the tax credit attaching to dividends paid by the Company.

A Shareholder that is a company within the charge to corporation tax will not generally be taxable on any dividend it receives from the Company.

Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax will be payable on the issue of C Shares, unless they are issued to persons to whom the depository receipt or clearance service charge to stamp duty reserve tax applies.

In the latter case, stamp duty reserve tax will generally be imposed at the rate of 1.5 per cent. of the subscription price for the C Shares.

A subsequent transfer or sale of C Shares (other than a transfer or sale to a person to whom the depository receipt or clearance service charge applies) will generally be liable either to *ad valorem* stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the consideration actually paid for the transfer or sale or, if an unconditional agreement to transfer the C Shares is not completed by a duly stamped instrument of transfer, to stamp duty reserve tax at the rate of 0.5 per cent. of the consideration actually paid.

Liability to pay any stamp duty or stamp duty reserve tax chargeable on a transfer of C Shares will, in general, be that of the purchaser or transferee of the relevant C Shares.

Paperless transfers of C Shares within CREST are liable to stamp duty reserve tax (usually at the rate of 0.5 per cent. of the consideration actually paid), rather than being liable to stamp duty; and the stamp duty reserve tax chargeable on relevant transactions settled within the CREST system (or reported through that system for regulatory purposes) is collected by CREST.

If C Shares are transferred or sold to any persons to whom the depository receipt or clearance service charge to stamp duty or stamp duty reserve tax applies, stamp duty or (as the case may be) stamp duty reserve tax will normally be payable, by the purchaser or transferee, at the rate of 1.5 per cent. of the amount or value of the consideration paid for the transfer or sale.

No stamp duty or stamp duty reserve tax will be payable by holders of C Shares on the conversion of those shares into new Ordinary Shares.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Company and the Directors whose names appear on page 18 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Manager accepts responsibility for the statements attributed to it contained in this document. To the best of the knowledge and belief of the Manager (who has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and do not omit anything likely to affect the import of those statements.

2. Incorporation and Admission

- 2.1 The Company was incorporated and registered in England and Wales as a public limited company under the 1985 Act on 11 September 2009 with the name Impax Asian Environmental Markets plc and with registered number 7016550. The Company is domiciled in the UK. The principal legislation under which the Company operates and under which the Shares have been created are the Companies Acts and the regulations made thereunder. The Company has no subsidiaries but may establish or acquire a subsidiary or subsidiaries to engage in transactions connected with its proposed activities. On 5 October 2009, it was granted a certificate of entitlement to do business and to borrow under section 761 of the 2006 Act. Its registered office is 145-157 St John Street, London EC1V 4RU, telephone number +44 (0)20 7490 4355.
- 2.2 The Existing Ordinary Shares and Existing Subscription Shares in the Company are admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange's Main Market for listed securities. The Company is thereby subject to the listing, prospectus and disclosure and transparency rules of the UK Listing Authority and the rules of the London Stock Exchange.
- 2.3 The Company is not authorised or regulated by the FSA.

3. Share Capital

- 3.1 As at the date of this document the issued share capital of the Company is £1,170,390 divided into 114,949,000 Existing Ordinary Shares of 1 pence each and 20,900,000 Existing Subscription Shares of 0.1 pence each, of which all are fully paid. The issued share capital of the Company immediately following Admission of the C Shares but before Conversion (assuming the Issue will be fully subscribed) will be £201,170,390 divided into 114,949,000 Ordinary Shares of 1 pence each, 200,000,000 C Shares of 100 pence each and 20,900,000 Subscription Shares of 0.1 pence each.
- 3.2 In the period since the Company was incorporated, the following allotments and changes to the share capital of the Company have been made:
 - 3.2.1 on 1 October 2009, the Company issued 50,000,000 redeemable preference shares of 0.1 pence each;
 - 3.2.2 on 6 October 2009, the Company subdivided its 2 Ordinary Shares of 100 pence each into 200 Ordinary Shares of 1 pence;
 - 3.2.3 on 23 October 2009, the Company redeemed the 50,000,000 redeemable preference shares of 0.1 pence each referred to in paragraph 3.2.1 above;
 - 3.2.4 on 23 October 2009, the Company issued 104,499,800 Ordinary Shares of 1 pence each and 20,900,000 Subscription Shares of 0.1 pence each;

- 3.2.5 on 2 December 2009, the Company issued 1,000,000 Ordinary Shares of 1 pence each at a price of 102.6 pence per share;
- 3.2.6 on 9 December 2009, the share premium account of the Company was cancelled by order of the Court;
- 3.2.7 on 11 December 2009, the Company issued 1,000,000 Ordinary Shares of 1 pence each at a price of 106.2 pence per share;
- 3.2.8 on 14 December 2009, the Company issued 1,000,000 Ordinary Shares of 1 pence each at a price of 106.4 pence per share;
- 3.2.9 on 15 December 2009, the Company issued 1,000,000 Ordinary Shares of 1 pence each at a price of 106.5 pence per share;
- 3.2.10 on 16 December 2009, the Company issued 1,000,000 Ordinary Shares of 1 pence each at a price of 106.1 pence per share;
- 3.2.11 on 23 December 2009, the Company issued 500,000 Ordinary Shares of 1 pence each at a price of 107.8 pence per share;
- 3.2.12 on 21 January 2010, the Company issued 2,700,000 Ordinary Shares of 1 pence each issued at a price of 108.6 pence per share;
- 3.2.13 on 1 February 2010, the Company issued 300,000 Ordinary Shares of 1 pence each issued at a price of 104.2 pence per share;
- 3.2.14 on 18 February 2010, the Company issued 500,000 Ordinary Shares of 1 pence each issued at a price of 106.7 pence per share;
- 3.2.15 on 1 March 2010, the Company issued 450,000 Ordinary Shares of 1 pence each issued at a price of 109.5 pence per share; and
- 3.2.16 on 4 March 2010, the Company issued 999,000 Ordinary Shares of 1 pence each issued at a price of 112.1 pence per share.
- 3.3 If special resolution number 1 in the Notice of General Meeting is duly passed, the Directors will be authorised and empowered as follows:
- (a) pursuant to section 551 of the 2006 Act, to exercise all the powers of the Company to allot the C Shares pursuant to the Issue, to allot the Subscription Shares and grant the Subscription Share Rights pursuant to the Bonus Issue, and to allot up to 9.9 per cent. of the issued share capital of the Company as at the date of this document pursuant to a general authority. This authority will expire (unless previously varied as to duration, revoked or renewed by the Company in a general meeting), at the conclusion of the Annual General Meeting of the Company to be held in 2011, or if earlier, on the expiry of 15 months from the passing of the resolution;
 - (b) pursuant to section 570 of the 2006 Act, the Company seeks to disapply statutory pre-emption rights otherwise applicable to the allotments set out in paragraph 3.3(a) above. This authority will expire at such time as the general authorisation set out in paragraph 3.3(a) above expires;
 - (c) to capitalise sums standing to the credit of any reserve available for the purpose in order to issue the New Subscription Shares pursuant to the Bonus Issue as paid up in full. The Company's Articles, which generally require any sums capitalised to be appropriated to shareholders in proportion to their holdings, will be disapplied for the purposes of the Bonus Issue as the Subscription Shares to be issued pursuant to the Bonus Issue will not necessarily be issued to all existing Shareholders in proportion to their existing holdings; and
 - (d) to consolidate, sub-divide or redeem share capital as required to give effect to the rights of holders of the New Subscription Shares to be issued pursuant to the Bonus Issue.

- 3.4 By means of special resolution number 2, the Company seeks approval for repurchases of up to: (i) prior to the Conversion Date, 17,230,855 Ordinary Shares (or, if less, the aggregate number representing 14.99 per cent. of the issued Ordinary Share capital immediately following the General Meeting), 3,132,910 Subscription Shares (or, if less, the number representing 14.99 per cent. of the Subscription Shares in issue immediately following the General Meeting), and 37,475,000 C Shares (or, if less, the number representing 14.99 per cent. of the C Shares in issue immediately following Admission); and (ii) on or after the Conversion Date, 57,344,997 Ordinary Shares (or, if less, the aggregate number representing 14.99 per cent. of the issued Ordinary Share capital immediately following Conversion), and 10,426,390 Subscription Shares (or, if less, the number representing 14.99 per cent. of the Subscription Shares in issue immediately following Conversion). Any repurchase made pursuant to the authority will be made at the respective par value per Share and not more than the higher of (i) 5 per cent. above the average of the middle market quotations for the shares of the class of that share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that share is purchased; and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation. The authority being sought will last until the earlier of 18 months from the date of the passing of special resolution 4 unless replaced at the Company's Annual General Meeting to be held in 2010. Any Shares so purchased will be cancelled or, if the Directors so determine, held in treasury.
- 3.5 Other than in connection with or pursuant to the Issue, Conversion of the C Shares or exercise of subscription rights attaching to the Existing Subscription Shares and the Subscription Shares to be issued pursuant to the Bonus Issue, and other than the issue of Tap Shares in the ordinary course of business, the Directors have no present intention of issuing any further shares in the capital of the Company.
- 3.6 Save as disclosed in this paragraph 3 and in paragraph 7.1 below:
- (a) no share or loan capital of the Company has, since the Company's launch on 23 October 2009, been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;
 - (b) no commissions, discounts, brokerages or other special terms have been granted by the Company since the Company's launch on 23 October 2009 in connection with the issue or sale of any share or loan capital of the Company; and
 - (c) the Company has not granted any options over its share or loan capital or has agreed, conditionally or unconditionally, to grant any such options.
- 3.7 As at 30 September 2010, the Company did not hold any Shares in treasury.
- 3.8 If the Issue proceeds and C Shares are issued as set out in this document, the Company will have greater net assets. Upon Conversion, the Company's net assets will not be materially affected. Upon the exercise of any Subscription Share Rights, the Company's net assets will increase by 99.9 pence per New Ordinary Share so subscribed.

4. Directors' interests

- 4.1 The Directors and their respective functions are set out below:

<i>Name</i>	<i>Function</i>
Allan McKenzie	<i>Non-Executive Chairman</i>
Alan Barber	<i>Non-Executive Director</i>
Terence Mahony	<i>Non-Executive Director</i>
Simon Atiyah	<i>Non-Executive Director</i>

- 4.2 The business address of each of the Directors is 145-157 St John Street, London EC1V 4RU.

- 4.3 On 30 September 2010 (being the latest practicable date prior to the publication of this document), save as disclosed in this paragraph 4.3, no Director had any interest, beneficial or otherwise, in the share capital of the Company nor, so far as is known to the Directors, or could with reasonable diligence be ascertained by the Directors, will any person having any connection with the Directors (within the meaning of sections 252 to 255 of the 2006 Act), whether or not held through another party, have an interest in the share capital of the Company.

<i>Director</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>	<i>Number of Existing Subscription Shares</i>	<i>Percentage of Issued Subscription Share Capital</i>
Allan McKenzie	50,000	0.043	10,000	0.048
Terence Mahony	50,000	0.043	10,000	0.048
Simon Atiyah	12,000	0.01	12,400	0.059
Alan Barber	50,000	0.043	10,000	0.048

- 4.4 The total remuneration receivable by the Directors and paid by the Company to the Directors in respect of the Company's accounting period ended 30 June 2010 was £58,000. The Chairman received £19,000, the chairman of the Audit Committee received £14,000, the chairman of the Remuneration and Engagement Committee received £13,000 and the other Director received £12,000.

With effect from 23 October 2009, the fees of the Chairman have been £27,000 per annum, the chairman of the Audit Committee £20,000 per annum, the Chairman of the Remuneration and Engagement Committee £19,000 per annum and the other Director £18,000. It is estimated that the aggregate remuneration and benefits in kind payable by the Company to the Directors for the financial year ending 30 June 2011 will amount to £84,000 (plus any VAT and employers' national insurance payable thereon).

- 4.5 There are no service contracts in existence between the Company and the Directors, nor are any such contracts proposed. The Directors were appointed as non-executive directors for an initial fixed term period of three years, subject to renewal, by letters dated 6 October 2009 and their appointment is subject to the Articles. No member of the Company's management body (being the Board of Directors) has a service contract which provides for benefits on termination of employment. The terms of appointment of each of the Directors provide that the Directors shall retire and be subject to re-election at the first annual general meeting after their appointment and at least every three years thereafter. The terms also provide that a Director may resign by notice in writing to the Board at any time and may be removed without notice and that compensation will not be due on leaving office. The Company's policy is for the Directors to be remunerated in the form of fees payable quarterly in arrears, to the Director personally or to a specified third party. The Directors' appointments can be terminated without notice.
- 4.6 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any such waiver as at the date of this document.
- 4.7 No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director.
- 4.8 The total emoluments receivable by the Directors will not be varied as a consequence of the Issue.
- 4.9 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which has been effected by the Company since the date of its incorporation and remains in any way outstanding or unperformed.
- 4.10 There are no actual or potential conflicts of interest arising out of the Issue between the duties of the Directors to the Company and their respective private interests or other duties.

4.11 In addition to their Directorships of the Company, the Directors are or have been members of the administrative, management or supervisory bodies or partners of the following companies or partnerships, at any time in the past five years:

<i>Director</i>	<i>Current</i>	<i>Past</i>
Allan MacLeod McKenzie	<i>Edinburgh Dragon Trust plc</i>	<i>Blackrock International Limited Blackrock Global Services plc Thailand International Fund Limited</i>
Terence Mahony	<i>Advance Developing Markets Fund Limited (Guernsey) CITIC Capital Investment Management (Cayman) Caddis Emerging Markets (Cayman) F&C Pacific Assets Trust plc Platinum Advisory International, Inc. (Hong Kong) Platinum Securities International Inc. (Cayman) Polunin Capital EM Active Fund (Cayman) Ranhill Berhad Spencer House Capital Mgt., LLP (Cayman) Vietnam Azalea Fund Ltd. (Cayman)</i>	<i>IMS (Investment Manager Selection) Limited Indochina Capital Vietnam Holdings</i>
Simon Atiyah	—	<i>Lovells LLP Lovells</i>
Alan John Barber	<i>Hybridan LLP Invesco English and International Trust plc JPMorgan Japanese Investment Trust plc Management Consulting Group plc Proudfoot Trustees Limited Witan Pacific Investments Trust plc Western & Oriental Plc</i>	<i>The Institute for Animal Health</i>

4.12 Save as set out in paragraph 4.13 below, none of the Directors has, within the period of five years preceding the date of this document:

- had any convictions in relation to fraudulent offences;
- been bankrupt or been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer at the time of any receivership or compulsory liquidation;
- been subject to any official public incrimination of him by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer;

- been a director or partner of any companies or partnerships except for those disclosed in paragraph 4.11 above (or their respective subsidiaries);
- been a partner in any partnership which, while he was a partner or within twelve months of ceasing to be a partner, was the subject of any compulsory liquidation, administration or partnership voluntary arrangement;
- had any asset belonging to him or to a partnership of which he was a partner at the time of such event or within twelve months after his ceasing to be such a partner made the subject of any receivership; or
- received any public criticism by any statutory or regulatory authorities, including designated professional bodies, or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

4.13 Alan John Barber is currently a director of Invesco English and International Trust plc, which is expected to enter into a members' voluntary liquidation on 1 October 2010. He is expected to resign from the Board on 4 October 2010.

4.14 The Company maintains directors' and officers' liability insurance on behalf of the directors at the expense of the Company.

5. Significant Shareholdings

5.1 As at the close of business on 30 September 2010 (being the latest practicable date prior to publication of this document) insofar as is known to the Company, the following persons, directly or indirectly, were interested in three per cent. or more of the Ordinary Shares in the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Shares in the Company before the Issue</i>
Invesco Limited	28,800,000	25.1
London Pension Fund Authority	20,000,000	17.4
Lloyds Banking Group plc	10,000,000	8.7
Legal & General Group plc	3,724,500	3.2

Those interested directly or indirectly in three per cent. or more of the issued ordinary share capital of the Company will not have different voting rights from other holders of Ordinary Shares.

5.2 Save as disclosed in paragraph 5.1 above, the Company is not aware of any person who, as at the close of business on 30 September 2010, was directly or indirectly interested in three per cent. or more of the issued share capital of the Company.

5.3 The Directors are not aware of any person who immediately prior to or immediately following completion of the Issue could, directly or indirectly, jointly or severally, exercise control over the Company. For this purpose, joint control means control exercised by two or more persons who have concluded an agreement which may lead to their adopting a common policy in respect of the Company.

6. Articles of Association

6.1 The current articles of association were adopted on 6 October 2009. The new Articles update the Company's current articles of association primarily to take account of the coming into force of the implementation of the last parts of the 2006 Act. The new Articles showing all the changes to the current articles of association are available for inspection, as noted in paragraph 17 of this

Part VI. The new Articles will also incorporate the details of the rights and restrictions attaching to the C Shares, further details of which are set out in Part II of this document. The principal changes introduced in the new Articles are set out below.

(a) *Redeemable shares*

Under the 1985 Act, if the Company wished to issue redeemable shares, it had to include in its articles the terms and the manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles. The new Articles contain such an authorisation.

(b) *Authority to purchase own shares and reduce share capital*

Under the 1985 Act, the Company required specific enabling provisions in its articles to purchase its own shares and to reduce its share capital. The current articles of association include these enabling provisions. Under the 2006 Act the Company only requires shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the new Articles.

(c) *Voting by proxies on a show of hands*

The 2006 Act provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The new Articles have been amended to reflect these changes.

(d) *Time for deposit of proxies*

The new Articles take advantage of a change introduced by the 2006 Act under which, when setting the latest time for delivery of proxies, the Board may fix a period of up to 48 hours but ignoring any part of a day that is not a working day.

The new Articles also include the provisions summarised below.

(a) *Voting rights*

Subject to the provisions of every statute for the time being in force concerning companies and affecting the Company (the “Statutes”) and any rights or restrictions attached to any Shares and to any other provisions of the New Articles, all members who have properly registered their shares in time may participate in general meetings. If the notice of the meeting has specified a time (which is not more than 48 hours before the time fixed for the meeting) by which a person must be entered on the register of members in order to have the right to attend and vote at the meeting, no person registered after that time shall be eligible to attend and vote at the meeting by right of that registration, even if present at the meeting.

Subject to any rights or restrictions attached to any shares and to any other provisions of the Articles, on a show of hands every member who is present in person shall have one vote and on a poll every member shall have one vote for every share of which he is the holder.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

Unless the Board otherwise determines, no member, or person to whom any of that member’s shareholding is transferred other than by a transfer approved under the Articles, may vote at any general meeting or at any separate meeting of holders of any class of shares in the Company either in person or by proxy in respect of any share in the Company held by him if he or any other person appearing to be interested in the share has been given a notice under section 793 of the 2006 Act and has failed to give the Company the information required by such notice within 14 days of such notice.

(b) *Continuation Resolutions and Duration*

At the annual general meeting of the Company to be held in 2015 and at every third annual general meeting of the Company convened thereafter the members shall be asked to approve the continuation of the Company as an investment trust (a “**continuation resolution**”) by ordinary resolution. In the event that a continuation resolution is not passed the Directors shall, within three months, put forward proposals for consideration by shareholders for the reorganisation, winding up or reconstruction of the Company.

(c) *Reserves*

The Board may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Board, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Board may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Board may also without placing the same to reserve carry forward any profits.

The Board shall establish a reserve to be called the “capital reserve” and shall either carry to the credit of such reserve from time to time all capital profits or appreciations arising on the sale, realisation, transposition, repayment, or revaluation of any investments or other capital assets of the Company in excess of the book value thereof or apply the same in providing for depreciation or contingencies. Any losses realised on the sale, realisation, transposition, repayment or revaluation of any investments or other capital assets and any other sum incurred in connection with the management of the assets of the Company which, in the opinion of the Board, is reasonably and fairly apportioned to capital may be carried to the debit of the capital reserve except insofar as the Board may in its discretion decide to make good the same out of other funds of the Company. All sums carried and standing to the capital reserve may be applied for any of the purposes to which sums standing to any reserve under the provisions of this Article are applicable, except and provided that no part of the capital reserve or any other monies in the nature of accretion to capital shall in any event be transferred to revenue account to be regarded or treated as profits of the Company available for dividend or be applied in paying dividends on any shares in the Company’s capital.

(d) *Dividends*

Subject to the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members but not exceeding the amount recommended by the Board.

If it appears to the Board that they are justified by the financial position of the Company, the Board may pay: (i) interim dividends; or (ii) at intervals settled by it, any dividend payable at a fixed date.

Except in so far as the rights attaching to any share otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. There are no fixed dates on which any entitlement to dividends or interest arises.

Dividends may be satisfied, wholly or partly, by the distribution of assets and may be declared or paid in any currency. The Board may, if authorised by an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares, credited as fully paid, instead of cash for all or part of the dividend specified by that ordinary resolution.

The Company may cease to send any cheque, warrant or financial instrument through the post for any dividend or other monies payable in respect of a share if in respect of at least two consecutive dividends payable on that share the cheques, warrants or other financial instruments have been returned undelivered or remain uncashed. The Company must

resume sending cheques, warrants or other financial instruments if the shareholder or person entitled by transmission claims the arrears.

Any dividend unclaimed for twelve years from the date when it became due for payment will be forfeited and revert to the Company.

Unless the Board determines otherwise, no member holding shares representing 0.25 per cent. or more in nominal value of the issued shares of any class of share capital of the Company will be entitled to receive payment of any dividend or other distribution if he or any person appearing to be interested in such shares has been given notice under section 793 of the 2006 Act and has failed to give the Company the information required by such notice within 14 days of such notice.

(e) *Return of capital*

On a winding up, a liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Statutes, divide among the members the whole or any part of the assets of the Company (whether the assets are of the same kind or not).

(f) *Issue of shares*

Subject to the provisions of the 2006 Act and the Articles of Association, all unissued shares shall be at the disposal of the Directors and they may offer, allot, grant options over, issue warrants to subscribe for or otherwise dispose of them to such persons, at such times and on such terms as they think fit.

(g) *Purchase of own shares*

Subject to the Statutes and to any rights conferred on the holder of any class of shares, the Company may purchase all or any of its shares of any class (including any Redeemable Preference Shares). The Ordinary Shares do not however, carry any right for the holder to require redemption of his shares by the Company.

(h) *Transfer of shares*

Subject to the restrictions of the Articles which are detailed in this paragraph (h) below, a member may transfer all or any of his shares, in the case of shares held in certificated form, by an instrument of transfer in any usual form or in any other form which the Board may approve or, in the case of shares in uncertificated form, in accordance with the Uncertificated Securities Regulations 2001 and the rules of any relevant system (as defined therein) (the "Regulations"). An instrument or transfer shall be executed by or on behalf of the transferor and (unless the share is fully paid) by or on behalf of the transferee. Subject to the Statutes, the transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.

Subject to the Statutes, the Board may refuse to register the transfer of a share which is not fully paid without giving any reason for doing so.

The Board may also refuse to register the transfer of a share if: (i) it is held in certificated form and it is not lodged, duly stamped (if necessary), at the Company's registered office or at such other place as the Board may appoint and accompanied by the certificate for the shares to which it relates (where a certificate has been issued in respect of the shares) and/or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) if it is not in respect of one class of share only; (iii) if it is not in favour of four or fewer transferees; or (iv) if it is in favour of a minor, bankrupt or person of mental ill health. In the case of shares held in uncertificated form, the Board may refuse to register a transfer in any other circumstances permitted by the Regulations.

If the Board refuses to register a transfer, it shall, within two months from the date on which the transfer was lodged, or, in the case of shares held in uncertificated form, the relevant operator instruction was received, send to the transferee notice of the refusal. The registration of transfers may be suspended at such times and for such periods (not exceeding thirty days in any calendar year) as the Board may determine.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share. Any instrument of transfer, which is registered, may be retained by the Company, but any instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

Unless the Board determines otherwise, no member holding shares representing 0.25 per cent. or more in nominal value of the issued shares of the Company or the class in question will be entitled to transfer any such shares otherwise than pursuant to an excepted transfer (as defined in the Articles) if he or any person appearing to be interested in such shares has been given notice under section 793 of the 2006 Act and has failed to give to the Company the information required by the notice within the applicable period and the Company has then given the holder of those shares a restriction notice to the effect that from the service of the restriction notice those shares will be subject to such restrictions.

(i) *Borrowing Powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Statutes, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of such rights or powers of control of the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Company and its subsidiary undertakings (the "Group") (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to twenty per cent. of the aggregate of:

- (i) the amount paid up on the share capital of the Company; and
- (ii) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account as shown in the latest audited consolidated balance sheet and profit and loss account of the Group (or, if the Company has no subsidiary undertakings, of the Company alone) but subject to deductions and adjusted as specified in the relevant Article.

Until such an audited balance sheet and profit and loss account of the Group (or the Company, as the case may be) shall have been prepared as aforesaid the Directors may borrow up to an amount equal to 20 per cent. of an amount equal to the initial Net Asset Value of the Company.

(j) *Rights of pre-emption*

The Articles do not contain any provisions which set out a procedure for the exercise of pre-emption rights, in addition to that provided for by the 2006 Act.

(k) *Variation of Rights*

Subject to the provisions of the Statutes, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise.

(l) *Alteration of Share Capital*

The Company may by ordinary resolution increase, consolidate and divide and sub-divide its share capital. Subject to the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve in any manner.

(m) *Subscription Shares*

The provisions of Company's Articles relating to the Subscription Shares are set out in full in Part III of this document.

(n) *Members Resident Abroad*

Any member with a registered address outside the United Kingdom is not entitled to the notices or other documents from the Company unless he has given the Company an address within the United Kingdom at which such notices or other documents may be served on or delivered to him.

(o) *Directors*

Unless otherwise determined by an ordinary resolution of the Company the number of Directors shall be not less than two and shall not be subject to any maximum.

Until otherwise determined by ordinary resolution, the Directors shall be paid such fees for their services as Directors as the Directors may determine, not exceeding £150,000 in aggregate per annum or such larger amount as the Company may by ordinary resolution determine. The Directors may also be paid all expenses properly incurred by them in connection with the discharge of their duties as Directors.

Subject to the Statutes, provided the Director has disclosed to the Board the nature and extent of any material interest of his, a director notwithstanding his office:

- (i) may hold any other office or place of profit with the Company (except that of auditor) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company;
- (ii) may be a party to, or otherwise interested in, any contract with the Company or in which the Company is otherwise interested;
- (iii) may be a Director or other officer of, or employed by, or a party to any contract with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or in relation to which the Company has power of appointment; and
- (iv) shall not, by reason of his office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such contract or from any interest in such body corporation nor shall the receipt of such remuneration or benefit constitute a breach of the duty under the 2006 Act not to accept benefits from third parties.

A Director shall not vote (or be counted in a quorum of a meeting) in respect of any matter in which he (including any person connected with that Director) has an interest which is to his knowledge a material interest. Notwithstanding the above, a Director shall be entitled to vote (and be counted in the quorum at any meeting) on:

- (i) any matter in which he is interested by virtue of an interest in shares, debentures or securities of the Company or otherwise in or through the Company;
- (ii) the giving to him of any guarantee, security or indemnity in respect of money lent, obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security;
- (iii) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter;

- (iv) any contract concerning another company in which he and any connected person do not, to his knowledge, hold an interest in shares representing one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company;
- (v) any arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings under which he benefits in a similar manner as the employees and which does not accord to any Directors as such any privilege or advantage not accorded to the employees to whom the arrangement relates; and
- (vi) any contract concerning any insurance which the Company is empowered to purchase or maintain for the benefit of any Directors or for persons who include Directors.

The Board may, provided the quorum and voting requirements are satisfied, authorise any matter that would otherwise involve a Director breaching his duty under the 2006 Act to avoid conflicts of interest. Any Director may propose that the director concerned be authorised in relation to any matter which is the subject of such a conflict and such proposal shall be resolved upon by the Board in the same manner as any other matter, except that the Director who is the subject of the conflict (or any other director with a similar interest) shall not count towards the quorum or vote on the resolution authorising the conflict.

(p) *Convening of and attendance at general meetings*

Annual general meetings shall be held at such time and place as the Board may determine, subject to statutory requirements. The Board has absolute discretion to require that members or proxies attending a general meeting should submit to such searches or other security arrangements as the Board considers appropriate.

(q) *Disclosure of interests in shares and restrictions for failure to provide information*

(i) If a person appearing to have an interest in the issued share capital of the Company of a class carrying rights to vote in all circumstances at general meetings has failed to give the Company within 14 days information required by a notice requiring that information (a disclosure notice), the Board may, at its discretion, impose restrictions upon the relevant shares.

(ii) The restrictions available are the suspension of voting or other rights in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of shareholders representing at least 0.25 per cent. of that class of shares (excluding any shares of that class held as treasury shares), the withholding of payment on dividends on, and in certain cases the restriction of transfers of, the relevant shares. The restrictions shall cease to apply seven days after the earlier of receipt by the Company of notice of an excepted transfer (but only in relation to the shares transferred) and due compliance, subject to the satisfaction of the Board, with the disclosure notice. For these purposes, an excepted transfer means a transfer pursuant to acceptance of a takeover bid, or a sale of the whole beneficial interest in the shares on a recognised investment exchange or a stock exchange outside the United Kingdom on which the shares are normally traded, or a sale of the whole beneficial interest in the shares otherwise than on a stock exchange to a person whom the Board is satisfied is not connected with the transferor or with any person appearing to be interested in the shares.

(iii) The Disclosure and Transparency Rules require Shareholders (subject to certain exceptions) to notify the Company if the voting rights directly or indirectly held (within the meaning of those rules) by such Shareholder reaches, exceeds or falls below three per cent. and each one per cent. threshold above that.

(r) *Form of holding shares*

The Ordinary Shares and the Subscription Shares will be in registered form. Temporary documents of title will not be issued in respect of the Ordinary Shares and the Subscription

Shares. The Ordinary Shares and the Subscription Shares will be capable of being held in either certificated or uncertificated form.

Capita Registrars, Registrar for the Company, shall maintain the register of members.

(s) *Share in any surplus in the event of liquidation*

Ordinary Shareholders have the right, on a voluntary winding-up of the Company, to authorise the liquidator by special resolution and any other sanction required by law, to divide among the members the whole or any part of the assets of the Company. For such purpose, the liquidator may set the value and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

Subscription Shareholders have no right to share in any surplus in the event of liquidation beyond the right to be repaid the sum of one penny, being the nominal value of each Subscription Share (in respect of which Subscription Share Rights have not been exercised) held (which right ranks immediately after the right of the Ordinary Shareholders to be repaid the nominal value of 1p for each Ordinary Share).

7. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company in the two years immediately preceding the publication of this document and are, or may be, material and there are no other contracts entered into by the Company which contain any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

- 7.1 The Placing Agreement, dated 30 September 2010, between the Company, the Manager, Kepler Partners LLP and Collins Stewart whereby Collins Stewart has agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for C Shares under the Placing at the Issue Price and to act as sponsor in relation to the Issue. For its services in connection with the Issue, Collins Stewart will be entitled to a commission of 2 per cent. of monies raised less an amount equal to the expenses incurred by the Company in connection therewith.

Under the Placing Agreement, which may be terminated by Collins Stewart in limited circumstances prior to Admission, the Company and the Manager have given certain warranties and indemnities to Collins Stewart concerning, *inter alia*, the accuracy of the information contained in this document.

- 7.2 The Administration Agreement dated 8 October 2009 between the Company and Cavendish Administration Limited (the "Administrator") under which the Administrator provides administration services and acts as Company Secretary to the Company in the United Kingdom. The Administrator's services include responsibility for the calculation of the Net Asset Value of the Company. The Administrator receives a monthly secretarial fee at a rate of £2,083 plus a monthly administration fee equal to one twelfth of 0.075 per cent. of the Net Asset Value of the Company at the end of the month in respect of which the administration fee is calculated. Up until 23 October 2010, the administration fee is capped at £100,000 per annum. The secretarial fee and administration fee cap are subject to an annual adjustment, capped at 2 per cent. per annum, to reflect the movement in the UK retail prices index. The Administrator's fees are subject to applicable VAT.
- 7.3 The Custody Agreement dated 8 October 2009 between the Company and the Custodian under which the Custodian agreed to provide custodian services to, and be responsible for the safekeeping of the assets of, the Company. The Custodian is entitled to receive annual fees comprising a standing charge of £40,000 and a holding charge of not less than £50,000 based on the value of the assets of the Company payable monthly in arrears and fees of between £10 and £40 per transaction. The Custodian is also entitled to reimbursement of its reasonable

out-of-pocket expenses (excluding the fees of any sub-custodian). The agreement is terminable by the Custodian giving 180 days' notice or the Company giving 60 days' notice or otherwise by the Company in circumstances where, *inter alia*, the Custodian goes into liquidation.

The fees of the Custodian are paid by the Company. The Custody Agreement contains an indemnity in favour of the Custodian against claims by third parties except to the extent that the claim arises from the negligence, fraud or wilful default of the Custodian.

The Custodian charges custody fees at a set ad valorem rate in respect of each market in which the Company invests. The aggregate custody fee payable to the Custodian is calculated by reference to the value of assets invested in the relevant country and the relevant ad valorem fee rate. The Custodian also levies a transaction charge which is a fixed amount payable when the Company transacts a stock. The transaction charge varies from country to country. The Company will be invoiced by the Custodian monthly.

Subject to exercising its duties of supervision and control as prescribed by the rules of the FSA, the Custodian is authorised to act through and hold the Company's investments with sub-custodians.

- 7.4 The Registrar's Agreement dated 8 October 2009 between the Company and Capita Registrars (the "Registrar") whereby the Registrar acts as the Company's registrar. The Registrar receives from the Company for its services an annual maintenance fee of not less than £2,750 per annum, together with a maximum fee of £1,450 per annum for web portal access. Transfers under the Registrar's Agreement cost £5.00 per transfer for Non-CREST transfers and 96p per transfer for CREST transfers (the first 250 of which are free). Transfers to US shareholders, incorporating representation letters, cost £12.50 per transfer. The Registrar may also charge fees ranging from £90 to £400 per annum for other ancillary services, which they may undertake at the request of the Company.
- 7.5 Under a placing agreement, dated 8 October 2009 between, amongst others, the Company and Collins Stewart, Collins Stewart agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for the Ordinary Shares under the IPO at 100p per Ordinary Share. For its services in connection with the IPO, the Company gave certain warranties and indemnities to Collins Stewart concerning, *inter alia*, the accuracy of the information contained in the IPO Prospectus.
- 7.6 A discretionary Management Agreement dated 8 October 2009 between the Company and the Manager whereby the Manager is appointed as investment manager of the Company to manage the Company's investments and other assets, including cash, in accordance with the Company's investment policy, subject to the overall policies, direction and control of the Directors and to provide certain additional services. The Manager is entitled to a monthly management fee of one twelfth of one per cent., plus VAT, if any, of the total assets of the Company. For these purposes the total assets of the Company means investments and any other assets of the Company less current liabilities excluding any deduction for loans or overdrafts which are used for investment purposes and any liabilities arising from any financial instruments issued by the Company being classified as debt. The Management Agreement may be terminated by either party by giving the other party not less than 12 months' notice in writing expiring at the end of any calendar month not earlier than 23 October 2010. Either the Manager or the Company may terminate the Management Agreement in certain events including if the other party has gone into liquidation, administration or receivership or has committed a material breach of its obligations under the Management Agreement and (if such breach shall be capable of remedy) fails to remedy such breach within 21 days from the service of a written notice by the other party. The Company may terminate the Management Agreement if: the Manager ceases to be appropriately authorised and regulated by the FSA or ceases to be resident in the United Kingdom; or, it is necessary to do so to comply with the request of any regulator or with any legislation and/or regulations.

The Company may also terminate the Management Agreement by not less than three months' written notice to be given following an initial consultation period of three months if:

1. either or both of Bruce Jenkyn-Jones and Ian Simm cease to have primary conduct of and responsibility for the investment services provided under the Management Agreement;

2. David Hok Kwan Li ceases to be seconded to the Manager by Ajia or he ceases to work on the Company's account;
3. the Advisory Agreement or the agreement between Ajia and the Manager seconding David Hok Kwan Li to the Manager are materially amended or terminated or their terms waived without the Company's consent; or
4. the Manager fails to appoint a replacement investment adviser or individual approved by the Board to provide equivalent services to the Company in place of David Hok Kwan Li and/or the Investment Adviser,

and, in each case, alternative arrangements have not been agreed between the Company and the Manager after the initial consultation period of three months.

The Management Agreement contains provisions for the indemnification by the Company of the Manager against claims by third parties made against the Manager in connection with its services under the Management Agreement except to the extent that the claim arises as a direct result of the negligence, wilful default or fraud of the Manager or Ajia and limiting the liability of the Manager to the Company under the Agreement. The Manager shall be responsible for any actions or omissions of the Investment Adviser or any such agent appointed by the Manager as if such actions or omissions were those of the Manager. Save for the foregoing the Manager is excluded from any liability save in the case of negligence, wilful deceit or negligence on its part.

8. Investments

The following table sets out the Company's top 25 investments by value as at 29 September 2010:

	<i>Security Company</i>	<i>Business</i>	<i>Country</i>	<i>Holding Price</i>	<i>Value</i>	<i>% of total net assets</i>
1	Xinyi Glass Holdings Co Ltd	Energy efficiency glass	China	12,315,800	4,823,779	3.39%
2	ENN Energy Holdings	Natural natural gas distributor	China	2,353,400	4,272,765	3.00%
3	Lee & Man Paper	Paper recycling	China	7,703,400	3,985,246	2.80%
4	China Longyuan Power	Wind IPP	China	6,002,400	3,884,021	2.73%
5	Delta Elect Thai-Foreign	Efficient power supplies	Thailand	6,530,900	3,766,442	2.65%
6	Campbell Brothers Ltd	Environmental testing	Australia	176,317	3,583,978	2.52%
7	Sound Global Ltd	Water treatment	China	7,776,000	3,367,692	2.37%
8	Delta Electronics Inc	Efficient power supplies	Taiwan	1,255,500	3,300,715	2.32%
9	Yingde Gases Group	Industrial gases	China	5,310,500	3,249,973	2.28%
10	Fook Woo Group	Paper recycling	China	14,683,100	3,151,067	2.21%
11	Thermax (PN-MOST)	Power generation equipment	India	281,100	3,132,854	2.20%
12	China High Precision	Industrial automation	China	7,279,500	3,035,326	2.13%
13	Renesola Ltd-ADR	Solar power equipment	China	394,800	3,034,424	2.13%
14	IVRCL Infra (PN-MOST)	Water infrastructure	India	1,255,200	2,899,872	2.04%
15	Yamatate Corp Buildings	energy efficiency	Japan	171,900	2,810,993	1.98%
16	Jain Irrigation (PN-CLSA)	Irrigation	India	161,600	2,749,093	1.93%
17	Thai Tap Water-Foreign	Water utilities	Thailand	22,850,000	2,730,552	1.92%
18	Sims Metal Manag-Spon ADR	Value added waste	Australia	246,000	2,728,661	1.92%
19	LG Chem Ltd	Chemicals and efficient batteries	South Korea	14,700	2,704,485	1.90%
20	Daikin Industries Ltd	Energy efficient air conditioners	Japan	114,600	2,680,854	1.88%
21	Chroma Ate Inc	Automation and UPS	Taiwan	1,771,929	2,679,935	1.88%
22	Wasion Group Holdings	Smart meters	China	5,270,100	2,524,294	1.77%
23	Hollysys Automation Tech	Industrial and rail automation	China	361,400	2,510,008	1.76%
24	Energy Development Corp	Geothermal IPP	Philippines	27,706,200	2,498,407	1.76%
25	Trina Solar	Solar PV Manufacturer	China	134,600	2,460,210	1.73%
	Top 25 holdings				<u>78,565,644</u>	<u>55.22%</u>
	Other holdings				<u>58,253,878</u>	<u>40.95%</u>
	Total holdings in companies				<u>136,819,521</u>	<u>96.17%</u>
	Other net assets				<u>5,448,479</u>	<u>3.83%</u>
	Grand Total				<u>142,268,000</u>	<u>100.00%</u>

9. Litigation

There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) which may have or have had, during the twelve months preceding the date of this document, a significant effect on the financial position or profitability of the Company.

10. Working Capital

10.1 The Company believes that the working capital available to it is sufficient for its present requirements, that is for at least the next twelve months from the date of this document.

11. Capitalisation and Indebtedness

11.1 The following table shows the capitalisation and indebtedness of the Company as at 30 June 2010 (being the last date in respect of which the Company has published audited financial information) and as at 31 August 2010 (being the latest practicable date prior to the publication of this document).

	<i>30 June 2010¹ £000</i>	<i>31 August 2010² £000</i>
Total Current Debt	4,009	821
Guaranteed	Nil	Nil
Secured	Nil	Nil
Unguaranteed/Unsecured	4,009	821
Total Non-Current Debt (excluding current portion of long term debt)	Nil	Nil
Guaranteed	Nil	Nil
Secured	Nil	Nil
Unguaranteed/Unsecured	Nil	Nil
Shareholders' Equity	126,977	132,404
Share capital	1,170	1,170
Share Premium	9,986	9,986
Legal reserve	102,350	102,350
Other reserves	13,471	18,898

Sources:

- 1 Derived from the Company's published audited accounts for the period ended 30 June 2010.
- 2 Extracted from unaudited internal management accounting records maintained by Cavendish Administration Limited on behalf of the Company on a basis consistent with the Company's accounting policies.

11.2 Save as disclosed in the above table, as at 31 August 2010 (being the latest practicable date prior to the publication of this document), there has been no material change in the capitalisation and indebtedness of the Company as at 30 June 2010 (being the last date in respect of which the Company has published audited financial information).

11.3 The following table shows the Company's unaudited net indebtedness as at 31 August 2010 (being the latest practicable date prior to the publication of this document).

	<i>31 August 2010 £ 000</i>
A. Cash	1,729
B. Cash equivalent	Nil
C. Securities	131,201
D. Liquidity (A + B + C)	132,930
E. Current Financial Receivable	474
F. Current Bank debt	Nil
G. Current portion of non-current debt	Nil
H. Other current financial debt	821
I. Current Financial Debt (F) + (G) + (H)	821
J. Net Current Financial Indebtedness (I) – (E) – (D)	(132,583)
K. Non-current Bank loans	Nil
L. Bonds Issued	Nil
M. Other non-current loans	Nil
N. Non-current Financial Indebtedness (K) + (L) + (M)	Nil
O. Net Financial Indebtedness (J) + (N)	(132,583)
P. Other Current Liabilities	203

11.4 There are no outstanding profit forecasts and estimates in respect of the Company.

12. Corporate Governance

12.1 The Company's Audit Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and remuneration of the auditor and to review the annual report and accounts and half-yearly report. Where non-audit services are provided by the auditors, full consideration of the financial and other implications on the independence of the auditors arising from any such engagement are considered before proceeding. The Audit Committee comprises Simon Atiyah, Alan Barber, Terence Mahony and Allan McKenzie, with Alan Barber as Chairman. The Audit Committee has formal terms of reference and copies of these are available on request from the Company Secretary of the Company. The principal duties of the Audit Committee are to consider the appointment of external auditors, to discuss and agree with the external auditors the nature and scope of the audit, to keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditors, to review the half-yearly and annual reports and accounts, to review the external auditors' letter of engagement and management letter and to analyse the key procedures adopted by the Company's service providers.

12.2 The Company's Remuneration and Management Engagement Committee meets formally on at least an annual basis for the purpose, amongst other things, of considering the appointment and remuneration of the investment manager and of suppliers of services to the Company, as well as the fees of non-executive Directors. The Remuneration and Management Engagement Committee comprises Simon Atiyah, Alan Barker, Terence Mahony and Allan McKenzie, with Simon Atiyah as Chairman. The Remuneration and Management Engagement Committee has formal terms of reference and copies of these are available on request from the Company Secretary of the Company. The principal duties of the Remuneration and Management Engagement Committee are to review the appointment and remuneration of the Manager, to review the fees payable to the Board of Directors and to review the fees payable to the Company's other main service providers.

12.3 The Company's Nominations Committee has been established for the purpose of identifying and putting forward candidates for the office of Director of the Company. The Nomination Committee meets as and when it is required. No Directors have been appointed since the Company's launch on 23 October 2009. The Nominations Committee comprises Simon Atiyah, Alan Barber, Terence Mahony and Allan McKenzie with Allan McKenzie as Chairman. The Nominations Committee considers job specifications and will assess whether candidates have the necessary skills and time available to devote to the job.

12.4 Except as noted at 12.5 below, the Company complies with the UK Corporate Governance Code published by the Financial Reporting Council (the "Code").

12.5 The structure of the Board is such that it is considered unnecessary to identify a senior non-executive Director other than the Chairman (as is otherwise required under the Code, ref. A.4.1). All other Directors are, however, available to Shareholders if they have concerns over issues that they feel have not been dealt with through the normal mode of communication with the Chairman.

13. Miscellaneous

13.1 The C Shares are to be issued at the Issue Price. The ISIN of the Existing Ordinary Shares, the Ordinary Shares to be issued on Conversion, and Ordinary Shares to be issued upon exercise of Subscription Shareholders' Subscription Share Rights is GB00B4M5KX38. The ISIN of the Existing Subscription Shares and the Subscription Shares to be issued pursuant to the Bonus Issue is GB00B4M82P85.

13.2 The ISIN number of the C Shares to be issued under the Open Offer is GB00B673Z758. The ISIN number of the C Shares to be issued under the Excess Application Facility is GB00B66VX981. The ISIN number of the C Shares to be issued under the Placing and the Offer for Subscription is GB00B3M69M11.

- 13.3 The Company has appointed Collins Stewart, which is authorised and regulated in the UK by the FSA, as its sole sponsor, sole bookrunner and joint placing agent for the purposes of Issue. Collins Stewart has given and has not withdrawn its consent to the issue of this document with the inclusion herein of its name and the references to it in the form and context in which they appear.
- 13.4 The Company has appointed Kepler Partners LLP, which is authorised and regulated by the FSA, as its joint placing agent for the purposes of the Issue. Kepler Partners LLP has given and has not withdrawn its consent to the issue of this document with the inclusion herein of its name and the references to it in the form and context in which they appear.
- 13.5 There has been no significant change in the financial or trading position of the Company since 30 June 2010, being the end of the last period for which audited financial statements have been published.
- 13.6 The Company has not had any employees since its incorporation and does not own any premises.
- 13.7 The costs and expenses of, or incidental to, the Issue and Admission are to be paid out of the proceeds of the Issue and, on the assumption that the Issue raises £200 million, will amount in aggregate to £4 million, representing 2 per cent. of the gross proceeds of the Issue. On that basis, the net proceeds of the Issue would (if it raises £200 million) be £196 million.
- 13.8 The current auditors of the Company are Ernst & Young LLP, Registered Auditor, 1 More London Place, London SE1 2AF. Ernst & Young LLP have audited the Company's annual accounts for the financial period ended 30 June 2010 and no other information contained in this document.
- 13.9 The Existing Ordinary Shares and Existing Subscription Shares are traded on the London Stock Exchange. No application is being made for the C Shares, New Ordinary Shares or Subscription Shares to be issued pursuant to the Bonus Issue to be listed or dealt in on any stock exchange other than the London Stock Exchange.
- 13.10 The Manager is or may be a promoter of the Company. Save as disclosed in paragraph 7.6 of this Part VI no amount or benefit has been paid, or given, to the promoter or any of its subsidiaries since the incorporation of the Company or is intended to be paid or given.
- 13.11 The Manager is a private company and was incorporated in England and Wales under the Companies Act 1985 on 18 June 1998 with the registered number 3583839. The Manager is domiciled in the UK, is regulated by the FSA and the principal legislation under which it operates is the 2006 Act. Its registered office and principal place of business is Mezzanine Level, Pegasus House, 37-43 Sackville Street, London W1S 3EH, telephone number +44 (0)20 7434 1122. The Manager has given and not withdrawn its consent to the issue of this document and the inclusion herein of its name and the references to it in the form and context in which they appear.
- 13.12 The Administrator was incorporated and registered in England and Wales as a private limited company under the Companies Act 1985 on 29 July 1993 with the name Cavendish Administration Limited and with registered number 2840515. Its registered office and principal place of business is 145-157 St. John Street, London EC1V 4RU, telephone number +44 (0)20 7490 4355. The Administrator is responsible for the calculation of the NAV of the Company.
- 13.13 The Custodian is registered at the Companies Register of Paris under number 552.108.011 RCS Paris. Its registered office is at 3 rue d'Antin, 75002 Paris, France, and operates through its branch in London at 55 Moorgate, London EC2R 6PA, telephone number +44 (0)20 7595 2000. The Custodian is domiciled in France and is authorised by the "Comité des Etablissements de Crédit et des Entreprises d'Investissement" and the "Autorité des Marchés Financiers" and regulated by the FSA for the conduct of its investment business in the United Kingdom.
- 13.14 The issue of C Shares is not underwritten. Save in relation to the Open Offer and the Offer for Subscription, the C Shares have not been marketed nor made available, in whole or in part, to the public in conjunction with the Issue.

- 13.15 In the event that the Issue raises £200 million, the net assets of the Company will increase from £141 million as at 29 September 2010 to £337 million. If the Issue had been undertaken on the first day of the Company's last completed financial year, the Company's earnings in that financial year would have increased.
- 13.16 In accordance with the Listing Rules, any material change in the Company's investment policy will only be made with the approval of Shareholders.
- 13.17 Except as provided by the 2006 Act and the City Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Shares.
- 13.18 Save as disclosed in note 36 of the Company's 2010 Annual Report and Accounts, which are incorporated by reference into this document, there have been no related party transactions entered into by the Company since the date of incorporation of the Company and up to the date of this document.
- 13.19 An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment (which may be equal to the whole amount invested). Such an investment should be seen as long-term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio.
- 13.20 This Prospectus relates not only to the issue of C Shares, the New Ordinary Shares, the New Subscription Shares and the Ordinary Shares to be issued upon the exercise of Subscription Share Rights attaching to New Subscription Shares, but also sets out information in relation to the 10,449,000 Top Shares issued between October 2009 and the date of this document.
- 13.21 The Existing Shares are, and upon Admission the C Shares, the New Ordinary Shares and the New Subscription Shares will be, "transferable securities" for the purposes of the Council Directive of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and for the purposes of the FSA Rules, including the FSA Collective Investment Schemes Sourcebook.

14. Investment Restrictions

In accordance with Rules 15.2.2 and 15.4.2 of the Listing Rules, the Company will at all times invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy. In addition to the investment restrictions referred in Part I of this document and in accordance with the Listing Rules of the FSA:

- (a) the Company intends that its income will consist wholly or mainly of eligible investment income as defined in Chapter 4 of Part 24 CTA 2010 (previously section 842 of the Taxes Act). Accordingly, the distribution as dividend of surpluses arising from the realisation of investments will be prohibited; and
- (b) in accordance with the Listing Rules and, in the case of (i) below, Chapter 4 of Part 24 CTA 2010 (previously section 842 of the Taxes Act):
 - (i) income is principally derived from securities;
 - (ii) neither the Company nor any subsidiary that the Company may acquire will, to a significant extent, be a dealer in investments nor will it conduct a trading activity which is significant in the context of the Group as a whole;
 - (iii) the Company will not normally take legal or management control of investments in its portfolio. The Company will not ordinarily seek to control, or be actively involved in the management of, any companies or businesses in which it invests however, in the event that any such company is under-performing or requires intervention and in circumstances when such action would be in the best interests of the Shareholders, the Company may elect to become involved in the management of the company;

- (iv) dividends will not be paid unless they are covered by income received from underlying investments and, for this purpose, a share of profit of an associated company is unavailable unless and until distributed to the Company;
- (v) not more than 10 per cent. of the value of the Company's gross assets immediately following Admission will be invested in other listed closed-ended investment funds (including listed investment trusts);
- (vi) the Company intends to be fully invested during normal market conditions but may hold up to 20 per cent. of NAV in cash or short-term money market instruments (including gilts and treasury bills) during periods when the Manager believes markets are overvalued and expects them to fall; and
- (vii) the Company will not invest more than 10 per cent. of its NAV in any one stock or security (or, in the case of derivatives as described in Part I of this document, in any one counterparty) as measured at the time of investment. The Company may invest more than 5 per cent. of its NAV in an individual stock or security (or counterparty), provided that such investment does not cause the aggregate value of stocks and securities worth 5 per cent. or more of the Company's NAV to represent more than 40 per cent. of the Company's NAV.

15. Availability of Prospectus

Copies of this document can be obtained during normal business hours until the Issue closes from any of the following:

Collins Stewart Europe Limited
88 Wood Street
London EC2V 7QR

Impax Asset Management Limited
Mezzanine Level
Pegasus House
37-43 Sackville House
London W1S 3EH

Capita Registrars
Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

This document is also available for download at:

- http://www.impax.co.uk/impax/funds/listed_funds/environ_market/; and
- <http://www.hemscott.com/nsm.do>.

16. Document incorporated by reference

This document should be read and construed in conjunction with the following documents, which have been previously published and filed with the FSA, which are available for download from the Company's website at www.impax.com and which are available for inspection in accordance with paragraph 17 below:

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number in the document</i>
<i>2010 Annual Report and Accounts</i>	<i>Chairman's Statement</i>	3
	<i>Manager's Report</i>	4-6
	<i>Structure of the Portfolio</i>	7
	<i>Ten Largest Investments</i>	8-9
	<i>Details of Individual Holdings</i>	10
	<i>Directors' Report</i>	11-18
	<i>Corporate Governance</i>	19-22
	<i>Directors' Remuneration Report</i>	23-24
	<i>Statement of Directors' Responsibilities</i>	25
	<i>Independent Auditors' Report</i>	26-27
	<i>Income Statement</i>	28
	<i>Balance Sheet</i>	29
	<i>Reconciliation of Movements in Shareholders' Funds</i>	30
	<i>Cash Flow Statement</i>	31
	<i>Notes to the Accounts</i>	32-39
	<i>Directors, Manager and Advisers</i>	40

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number in the document</i>
<i>2009 Half-yearly Financial Report</i>	<i>Key Features</i>	—
	<i>Half-yearly Management Report and Chairman's Review</i>	1
	<i>Manager's Report</i>	3
	<i>Five Largest Holdings</i>	6
	<i>Structure of Portfolio</i>	7
	<i>Directors' Statement of Responsibility for the Half-yearly Financial Report</i>	8
	<i>Income Statement</i>	9
	<i>Balance Sheet</i>	10
	<i>Reconciliation in Movement of Shareholder Funds</i>	11
	<i>Cashflow Statement</i>	12
	<i>Notes to the Report</i>	13
	<i>Directors, Manager and Advisers</i>	15

17. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company and the offices of CMS Cameron McKenna LLP at Mitre House, 160 Aldersgate Street, London EC1A 4DD during business hours on any Business Day up to the date of Admission:

- 17.1 the current articles of association of the Company;
- 17.2 the new articles of association of the Company proposed to be adopted at the General Meeting;
- 17.3 this document;
- 17.4 the consent letters referred to in paragraphs 13.2 and 13.3 of this Part VI;
- 17.5 the 2010 Annual Report and Accounts; and
- 17.6 the 2009 Half-yearly Financial Report.

Dated: 1 October 2010

DEFINITIONS

In this document the words and expressions listed below have the meanings set out opposite them except where the context otherwise requires:

“1985 Act”	the Companies Act 1985, as amended from time to time
“2006 Act”	the Companies Act 2006, as amended from time to time
“2009 Half-yearly Financial Report”	the unaudited Half-yearly Financial Report published by the Company on 24 February 2010 for the period from 11 September 2009 to 31 December 2009
“2010 Annual Report and Accounts”	the audited annual report and accounts of the Company for the financial period ended 30 June 2010
“Acts” or “Companies Acts”	the 1985 Act and the 2006 Act
“Administrator”	Cavendish Administration Limited, which provides administration and company secretarial services to the Company
“Admission”	the admission of the C Shares to the Official List and to trading on the London Stock Exchange’s Main Market for listed securities
“Ajia” or the “Investment Adviser”	the Investment Adviser, Ajia Partners Asset Management (HK) Limited
“Application Forms”	the Offer for Subscription Application Form and the Open Offer Application Form
“Articles”	the articles of association of the Company, as amended from time to time
“Asia Pacific Environmental Companies”	companies that conduct their business predominantly in the Asia Pacific Region and that provide products and services offering solutions to environmental problems or that improve the efficiency of natural resource use as described under the “Investment Opportunity” in Part I of this document
“Asia Pacific Region”	the Asia Pacific Region, mainly China, Hong Kong, Taiwan, Japan, South Korea, India, Australia, New Zealand, Singapore, Malaysia, the Philippines and Thailand
“Bonus Issue”	the bonus issue of New Subscription Shares to be issued to New Ordinary Shareholders immediately following Conversion of their C Shares on the basis of the Subscription Share Ratio
“Business Day”	a day on which the London Stock Exchange is open for business
“C Shareholder”	holder of C Shares
“C Shares”	C Shares of £1 each in the capital of the Company to be issued under the Issue
“Calculation Date”	the time and date referred to in paragraph 1 of Part II of this document
“Canada”	Canada, its possessions, provinces and territories and all areas subject to its jurisdiction and any political sub-division thereof
“Capita Registrars” or the “Registrars”	Capita Registrars Limited

“Collins Stewart”	Collins Stewart Europe Limited
“Company”	Impax Asian Environmental Markets plc
“Conversion”	the conversion of C Shares into New Ordinary Shares referred to in paragraph 9 of Part II of this document
“Conversion Date”	the time and date referred to in paragraph 1 of Part II of this document
“Conversion Ratio”	the ratio at which the C Shares convert into New Ordinary Shares
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time
“CTA 2010”	the Corporation Tax Act 2010
“Custodian”	BNP Paribas Securities Services, which acts as custodian for the Company
“Directors” or “Board” or “Board of Directors”	the board of directors of the Company from time to time currently comprising Allan McKenzie (as Non-Executive Chairman), Alan Barber (as Non-Executive Director), Terence Mahony (as Non-Executive Director) and Simon Atiyah (as Non-Executive Director)
“Environmental Markets”	those segments within basic services industries which are characterised by cleaner or more efficient solutions, particularly alternative energy and energy efficiency, water treatment and pollution control, and waste technology and resource management
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for any number of C Shares in excess of their Open Offer Entitlement in accordance with the terms and conditions set out in this document
“Excess CREST Open Offer Entitlement”	in respect of each Qualifying CREST Shareholder, the entitlement to apply for any number of C Shares in addition to their Open Offer Entitlement using CREST subject to the terms and conditions set out in this document
“Excess Non-CREST Open Offer Entitlement”	in respect of each Qualifying Non-CREST Shareholder, the entitlement to apply for any number of C Shares in addition to their Open Offer Entitlement using the Open Offer Application Form subject to the terms and conditions set out in this document
“Excluded Territories”	each of Australia, Canada, Japan the Republic of South Africa and the United States and each other jurisdiction outside the United Kingdom where the extension or availability of the Issue would breach any applicable law
“Existing Ordinary Shareholder”	a holder of Existing Ordinary Shares at the Record Date
“Existing Ordinary Shares”	Ordinary Shares in issue at the Record Date
“Existing Shares”	the Existing Ordinary Shares and Existing Subscription Shares

“Existing Subscription Shareholder”	a holder of Existing Subscription Shares at the Record date
“Existing Subscription Shares”	Subscription Shares in issue at the Record Date
“FSA”	the Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000, as amended from time to time
“gearing”	the proportion of Net Asset Value represented by the Company’s borrowings
“General Meeting”	the general meeting of the Company, notice of which is set out on pages 88 to 89 of this document or any adjournment of that meeting
“Group”	the Company and its subsidiaries from time to time
“HMRC”	HM Revenue and Customs
“Impax Group”	Impax Asset Management Group plc
“IPO”	the initial public offering of Ordinary Shares by the Company made pursuant to the IPO Prospectus
“IPO Prospectus”	the prospectus published by the Company on 8 October 2009 in connection with the IPO
“ISA”	an Individual Savings Account
“Issue”	the issue of C Shares pursuant to the Placing, Open Offer and Offer for Subscription
“Issue Price”	the price at which the C Shares are to be issued, being 100 pence per C Share
“Listing Rules”	the listing rules made by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“Management Agreement”	the management agreement dated 8 October 2009 between the Company and the Manager
“Manager”	Impax Asset Management Limited
“NAV” or “Net Asset Value”	the aggregate value of the net assets of the Company (that is, the value of its assets less the value of its liabilities) calculated in accordance with the Company’s accounting policies or, where the context requires, the part of that amount attributable to a particular class of shares
“NAV per Share” or “Net Asset Value per Share”	the aggregate value of the net assets of the Company divided by the number of relevant Shares in issue adjusted to take account of the dilution (if any) which would arise from the exercise of all the Subscription Share Rights attaching to Subscription Shares in issue as appropriate
“Net Proceeds”	the net cash proceeds of the Issue (after deduction of all expenses and commissions relating to the Proposals)
“New Ordinary Shareholder”	a holder of New Ordinary Shares
“New Ordinary Shares”	Ordinary Shares arising on Conversion

“New Subscription Shareholder”	a holder of New Subscription Shares
“New Subscription Shares”	Subscription Shares arising immediately following Conversion pursuant to the Bonus Issue
“Notice of General Meeting”	the notice of general meeting at which the Resolutions will be proposed, set out on pages 88 to 89 of this document
“Offer for Subscription”	the offer for subscription of C Shares as described in this document
“Offer for Subscription Application Form”	the application form to be completed by new investors in connection with the Offer for Subscription and which is found at the end of this document
“Official List”	the official list of the UK Listing Authority
“Open Offer”	the invitation to Qualifying Shareholders to subscribe, at the Issue Price, for their respective Open Offer Entitlements on the terms set out in this document
“Open Offer Application Form”	the application form on which Qualifying Non-CREST Shareholders may apply for C Shares under the Open Offer and the Excess Application Facility
“Open Offer Entitlement”	the <i>pro rata</i> entitlement of a Qualifying Shareholder under the Open Offer to subscribe at the Issue Price for C Shares on the basis of 1 C Share for every 1 Existing Ordinary Share and 1 C Share for every 1 Existing Subscription Share held by such Shareholder at the Record Date
“Open Offer Shares”	the C Shares for which Qualifying Shareholders are entitled to subscribe under the terms of the Open Offer and Excess Application Facility
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company
“Overseas Investor”	a person who is not resident in, or who is outside or who has a registered address outside, the United Kingdom
“Overseas Shareholder”	a Shareholder who is not resident in, or who is outside or who has a registered address outside, the United Kingdom
“Participatory Notes”	equity-linked notes issued by a third party broker, typically with a three-year duration and denominated in US dollars, providing long-only exposure to underlying securities and being cleared through Euroclear and marked to market on a daily basis
“PEP”	a personal equity plan
“Placing”	the placing by Collins Stewart of up to 200,000,000 C Shares as described in this document
“Placing Agreement”	the agreement dated 30 September 2010 between Collins Stewart and the Company, a summary of which is set out in paragraph 7 of Part VI of this document
“Proposals”	the proposed Issue and the proposed passing of the Resolutions at the General Meeting (including the adoption of new articles of association)
“Prospectus”	this document
“Prospectus Rules”	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004

“Qualifying CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares and/or Existing Subscription Shares are held in uncertificated form
“Qualifying Non-CREST Shareholder”	Qualifying Shareholders whose Existing Ordinary Shares and/or Existing Subscription Shares are held in certificated form
“Qualifying Shareholders”	holders of Existing Ordinary Shares and/or Existing Subscription Shares other than certain Overseas Shareholders who are prevented by legal or regulatory requirements from applying for C Shares under the Open Offer
“Receiving Agent”	Capita Registrars
“Record Date”	the record date in respect of entitlements under the Open Offer, being the close of business in London on 29 September 2010
“Register”	the register of members of the Company
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting on pages 88 to 89 of this document
“Shareholder”	a holder of Ordinary Shares, Subscription Shares and/or C Shares as appropriate
“Shares”	C Shares, Ordinary Shares and/or Subscription Shares as appropriate
“Statutes”	the 2006 Act and every other statute for the time being in force concerning companies and affecting the Company
“Sterling”	the lawful currency of the United Kingdom
“Subscription Price”	100 pence per Ordinary Share to be paid by Subscription Shareholders on exercise of their Subscription Share Rights
“Subscription Share Ratio”	the ratio upon which Subscription Shares are to be issued to Shareholders on the Conversion Date pursuant to the Bonus Issue, calculated as the ratio of Subscription Shares to Ordinary Shares in issue immediately prior to Conversion (rounded up to one decimal place)
“Subscription Shares”	subscription shares of 0.1 pence each in the capital of the Company, which carry Subscription Share Rights
“Subscription Share Rights”	the rights of holders of Subscription Shares to subscribe for Ordinary Shares at the Subscription Price
“Tap Shares”	means Ordinary Shares issued on a non-pre-emptive basis by way of tap issue pursuant to a general shareholder authority
“Taxes Act”	the Income and Corporation Taxes Act 1988 (as amended)
“UK Listing Authority”	the FSA in its capacity as the competent authority for listing under FSMA
“United States” or “USA”	the United States of America, its states, territories and possessions, including the District of Columbia
“White Form of Proxy”	the white form of proxy enclosed with this document and to be used in connection with the General Meeting

NOTICE OF GENERAL MEETING

IMPAX ASIAN ENVIRONMENTAL MARKETS PLC

(Incorporated in England and Wales with registered number 7016550)

Notice is hereby given that a General Meeting of the above-named company (the “**Company**”) will be held at 10.30 a.m. on 26 October 2010 at 145-157 St John Street, London, EC1V 4RU to consider and, if thought fit, pass the following resolutions, which will be proposed as special resolutions:

SPECIAL RESOLUTIONS

1. THAT:

- (A) new articles of association (in the form produced to the General Meeting and signed by the Chairman for the purpose of identification) (the “**New Articles**”) be adopted in place of the existing articles of association with effect from the conclusion of the General Meeting;
- (B) the directors of the Company be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 as amended (the “**Act**”) to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together “**relevant securities**”) up to an aggregate nominal amount of £250,650,000, such power to be limited to:
 - (i) the allotment of C Shares of 100 pence each having the rights set out in the New Articles (the “**C Shares**”) pursuant to the Issue (as defined in the prospectus of the Company dated 1 October 2010 of which this notice forms part (the “**Prospectus**”));
 - (ii) the allotment of Subscription Shares of 0.1 penny each having the rights set out in the New Articles (the “**New Subscription Shares**”) pursuant to the Bonus Issue (as defined in the Prospectus);
 - (iii) the grant of the right to subscribe for Ordinary Shares of 1 penny each pursuant to the exercise rights attaching to the New Subscription Shares issued pursuant to the Bonus Issue (as defined in the Prospectus); and
 - (iv) otherwise than pursuant to sub-paragraphs (B)(i) to (iii) (inclusive) of this resolution, up to an aggregate nominal amount of 9.99 per cent. of the issued ordinary share capital at the date of this notice

provided that such authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2011 or, if earlier, on the expiry of 15 months from the passing of this resolution (the “**section 551 period**”) but so that the directors may, at any time prior to the expiry of the section 551 period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the section 551 period and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority granted by this resolution had not expired; and this authority shall be in substitution for all existing authorities to allot to the extent unused;

- (C) the directors be empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred on them by paragraph (B) above as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to an aggregate nominal amount of £250,650,000, comprising:
 - (i) the allotment of the C Shares pursuant to the Issue (as defined in the Prospectus);

- (ii) the allotment of the New Subscription Shares pursuant to the Bonus Issue (as defined in the Prospectus);
- (iii) the grant of the right to subscribe for Ordinary Shares of 1 penny each pursuant to the exercise rights attaching to the New Subscription Shares issued pursuant to the Bonus Issue (as defined in the Prospectus); and
- (iv) otherwise than pursuant to sub-paragraphs (C)(i) to (iii) (inclusive) of this resolution, up to an aggregate nominal amount equal to 9.99 per cent. of the issued ordinary share capital at the date of the prospectus

provided that such authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in a general meeting), at such time as the general authority conferred on the directors by paragraph (B) above expires, save that the Company may, at any time prior to such expiry, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired, and this authority shall be in substitution for all existing authorities to allot to the extent unused;

- (D) notwithstanding any provision to the contrary in the Company's articles of association, the directors be empowered to capitalise any part of the amount then standing to the credit of any of the share premium account, the capital redemption reserve or any reserve otherwise available for the purpose of paying up in full at par up to 48,655,640 New Subscription Shares to be issued pursuant to the Bonus Issue (as defined in the Prospectus) and, to the extent necessary, paying up in full at par any additional Subscription Shares required to be issued to holders of the New Subscription Shares in accordance with the rights attaching to the New Subscription Shares; and
 - (E) any consolidation, sub-division or redemption of Subscription Share capital required in the opinion of the Directors to give effect to the rights of the holders of the New Subscription Shares be hereby approved.
2. Subject to passing resolution 1, the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of shares in the capital of the Company in substitution for all existing powers under section 701 of the Act, provided that:
- (i) the maximum aggregate number of shares authorised to be purchased is (a) prior to the date of Conversion (as defined in the Prospectus), 17,230,855 Ordinary Shares (or, if less, the number representing 14.99 per cent. of the issued Ordinary Share capital immediately following the General Meeting), 3,132,910 Subscription Shares (or, if less, the number representing 14.99 per cent. of the issued Subscription Share capital immediately following the General Meeting) and 37,475,000 C Shares (or, if less, the number representing 14.99 per cent. of the C Shares in issue immediately following Admission (as defined in the Prospectus)); and (b) on or after the date of Conversion, 57,344,997 Ordinary Shares (or, if less, such number of Ordinary Shares as shall represent 14.99 per cent. of the Ordinary Shares in issue immediately following Conversion of the C Shares as provided for in the New Articles) and 10,426,390 Subscription Shares (or, if less, the number representing 14.99 per cent. of the issued Subscription Share capital immediately following Conversion of the C Shares as provided for in the New Articles);
 - (ii) the minimum price which may be paid for an Ordinary Share is one penny, for a C Share is £1 and for a Subscription Share is 0.1 penny;

- (iii) the maximum price which may be paid for a share will not exceed the higher of (i) 5 per cent. above the average of the middle market quotations for the relevant shares as derived from the London Stock Exchange Daily Official List for the five business days immediately before the day on which it purchases that share and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation;
- (iv) the authority hereby conferred shall expire on the date falling 18 months following the date of the passing of the resolution unless the authority is replaced at the Company's Annual General Meeting in 2010; and
- (v) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

By Order of the Board

Cavendish Administration Limited

Company Secretary

Registered Office:

145-157 St John Street
London EC1V 4RU

Dated: 1 October 2010

Notes:

- (1) A Shareholder who is an individual is entitled to attend, speak and vote at the General Meeting or to appoint one or more other persons as his proxy to exercise all or any of his rights on his behalf. Further details of how to appoint a proxy, and the rights of proxies, are given in the paragraphs below. A Shareholder that is a company can appoint one or more corporate representatives (such as a director or employee of the company) whose attendance at the General Meeting is treated as if the company were attending in person, or it can appoint one or more persons as its proxy to exercise all or any of its rights on its behalf.
- (2) The White Form of Proxy which may be used to make such appointment is enclosed. The appointment of a proxy will not prevent a Shareholder from subsequently attending and voting at the General Meeting in person.
- (3) To be effective, the instrument appointing a proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be either deposited at the Company's registrars, Capita Registrars PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or lodged using the CREST Proxy Voting Service (see Note (8) below), in each case so that it is received by no later than 10.30 a.m. on 24 October 2010.
- (4) Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "**Act**") to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
- (5) The statement of the rights of Shareholders in relation to the appointment of proxies does not apply to Nominated Persons. The rights described can only be exercised by Shareholders of the Company.
- (6) Holders of Ordinary Shares are entitled to attend and vote at general meetings of the Company. The total number of issued Ordinary Shares in the Company on 30 September 2010, which is the latest practicable date before the publication of this document, is 114,949,000. On a vote by show of hands every Shareholder who is present in person or by proxy shall have one vote. On a poll vote every Shareholder who is present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder.
- (7) Entitlement to attend and vote at the General Meeting, and the number of votes which may be cast at the General Meeting will be determined by reference to the Company's Register of Members at 10.30 a.m. on 24 October 2010 or, if the General Meeting is adjourned, at 10.30 a.m. on the date which is two days prior to the reconvened General Meeting, (as the case may be). In each case, changes to the Register of Members after such time will be disregarded.
- (8) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment thereof by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (9) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("**Euroclear**") and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy, the revocation of a proxy appointment or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be

received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in Note (3) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to the appointee by other means.

- (10) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (11) Any Shareholder attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the General Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
- (12) A copy of this Notice and other information required by section 311A of the Companies Act 2006 can be found at www.impax.co.uk/impax/funds/listed_funds/environ_market/.
- (13) You may not use any electronic address provided in this Notice, or any related documents, including the Chairman's Letter and White Form of Proxy, to communicate with the Company for any purposes other than those expressly stated.

TERMS AND CONDITIONS OF, AND PROCEDURE FOR APPLICATION UNDER, THE OPEN OFFER

1.1 *Procedure for Application and Payment*

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Open Offer Application Form in respect of your Open Offer Entitlement and Excess Non-CREST Open Offer Entitlement or your Open Offer Entitlement and Excess CREST Open Offer Entitlement have been credited to your CREST account.

Holdings of Existing Shares traded on the London Stock Exchange in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer and Excess Application Facility, as will holdings under different designations and in different accounts, notwithstanding that Existing Shares held under the same designation and in the same account will not be treated as separate holdings for the purposes of calculating entitlements under the Open Offer and Excess Application Facility.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer and Excess Application Facility in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer and Excess Application Facility in respect of their Open Offer Entitlement and Excess CREST Open Offer Entitlement in CREST should refer to the CREST Manual for further information on CREST procedures referred to below.

Qualifying Shareholders who hold their Existing Shares in certificated form will be allotted C Shares in certificated form to the extent that their entitlement to C Shares arises as a result of holding Existing Shares in certificated form. Qualifying Shareholders who hold all or part their Existing Shares in uncertificated form will be allotted C Shares in uncertificated form to the extent that their entitlement to C Shares arises as a result of holding Existing Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements and Excess Non-CREST Open Offer Entitlements into, and withdraw them from, CREST.

Qualifying Shareholders who do not wish to apply for C Shares under the Open Offer should take no action and should not complete or return the Open Offer Application Form. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by completing and returning the enclosed White Form of Proxy. To be valid, the White Form of Proxy must be completed, signed and returned in accordance with the instructions printed thereon and either deposited at the Company's Registrars, Capita Registrars PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 10.30 a.m. on 24 October 2010 or lodged using the CREST Proxy Voting Service. For further details please see the notes to the Notice of General Meeting which forms part of this document.

If you have any questions relating to this document, the completion and return of either Application Form and/or the White Form of Proxy in respect of the General Meeting, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice. If you are in any doubt as to the action you should take you should immediately seek your own personal finance advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a regulatory information service giving details of the revised dates.

- (a) *If you have an Open Offer Application Form in respect of your entitlement under the Open Offer and Excess Application Facility*

General

Subject as provided in paragraph 1.4 of this Part in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Open Offer Application Form. The Open Offer Application Form shows the number of Existing Ordinary Shares and Existing Subscription Shares registered in their name on the Record Date in Box 6. It also shows the number of C Shares which represents their Open Offer Entitlement in Box 7. Box 8 shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. As the Open Offer is being made on the basis of 1 C Share for every 1 Existing Ordinary Share, and 1 C Share for every 1 Existing Subscription Share, no fractional entitlements will arise. Qualifying Non-CREST Shareholders may apply for less than their Open Offer Entitlement should they wish to do so. Qualifying Shareholders wishing to apply for C Shares representing less than their Open Offer Entitlement may do so by completing Boxes 2, 4 and 5 of the Open Offer Application Form and writing “nil” in Box 3. Qualifying Non-CREST Shareholders may also apply for Open Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility as described below. Qualifying Non-CREST Shareholders may hold such an Open Offer Application Form by virtue of a *bona fide* market claim (see below).

The instructions and other terms set out in the Open Offer Application Form form part of the terms of the Open Offer and Excess Application Facility to Qualifying Non-CREST Shareholders.

Bona fide market claims

Applications from Qualifying Non-CREST Shareholders to acquire C Shares may only be made on the Open Offer Application Form and may only be made by the Qualifying Non-CREST Shareholder(s) named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Open Offer Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims, up to 3.00 p.m. on 15 October 2010. The Open Offer Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire C Shares under the Open Offer may be a benefit which may be claimed by the purchaser or transferee. Qualifying Non-CREST Shareholders who have sold or transferred all or part of their holdings should, if the market claim is settled outside CREST, complete Box 10 on the Open Offer Application Form and immediately send it either to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee (in the case of a sale or transfer of all the relevant holding) or to Capita Registrars (in the case of a sale or transfer of part only of the relevant holding) in accordance with the instructions set out in the Open Offer Application Form. The Open Offer Application Form should not, however, be forwarded to or transmitted in or into any Excluded Territory. The beneficiary of the claim should follow the procedures set out in the accompanying Open Offer Application Form. If the market claim is to be settled in CREST, the beneficiary of this claim should follow the procedures set out in paragraph 1.1(b) of this Part.

Excess Application Facility

Qualifying Shareholders may apply to acquire C Shares using the Excess Application Facility, should they wish. Qualifying Non-CREST Shareholders wishing to apply for C Shares under the Excess Application Facility may do so by completing Boxes 3, 4 and 5 of the Open Offer Application Form.

C Shares to be issued under the Excess Application Facility may be allocated in such manner as the Directors determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all. In the event of oversubscription under the Excess Application Facility the Directors intend to limit applications by Qualifying Shareholders pro-rata to their aggregate holdings of Existing Ordinary Shares and Existing Subscription Shares (ranking equally for such purpose). However, the Directors also have the discretion (but are not obliged) to scale back the Placing in favour of the Excess Application Facility by reallocating C Shares that would otherwise be available under the Placing to Qualifying Shareholders through the Excess Application Facility.

Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

Application procedures

Qualifying Non-CREST Shareholders, wishing to apply to subscribe for any or all of the C Shares to which they are entitled should complete the Open Offer Application Form in accordance with the instructions printed on it. Completed Application Forms should be posted in the accompanying reply paid envelope or delivered by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, with a cheque or banker's draft for the subscription monies in respect of the C Shares applied for in pounds sterling drawn on a branch in the United Kingdom, the Channel Islands or Isle of Man of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or banker's drafts must bear the appropriate UK bank sort code number in the top right hand corner and must be for the full amount payable on application. Applications must be received by Capita Registrars (at the address detailed above) no later than 11.00 a.m. on 19 October 2010, after which time Open Offer Application Forms will not be valid. Once submitted, applications are irrevocable and receipt thereof will not be acknowledged. If the Open Offer Application Form is being sent by post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery. Cheques, which must be drawn on a personal account where you have sole or joint title to the funds, should be made payable to "Capita Registrars Limited re: Impax Asian Environmental Markets plc" and crossed "A/C Payee only". It is a condition of application that cheques will be honoured on first presentation and the Company may in its absolute discretion elect not to treat as valid any application in respect of which a cheque is not so honoured.

The Company may, in its sole discretion, reject, or treat as valid and binding on the person by whom or on whose behalf it is lodged, an Open Offer Application Form not completed in accordance with the relevant instructions or which is not accompanied by a valid power of attorney where required, or which otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept any Open Offer Application Form received after 11.00 a.m. on 19 October 2010 but not later than 8.00 a.m. on 22 October 2010 with the envelope bearing a legible postmark not later than 19 October 2010 or applications in respect of which remittances are received before 11.00 a.m. on 19 October 2010 from authorised persons (as

defined in the Financial Services and Markets Act 2000) specifying the C Shares applied for and undertaking to lodge the Open Offer Application Form in due course but, in any event, within two business days. Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

Cheques and banker's drafts, which must be in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and which must bear the appropriate sort code in the right hand corner, are liable to be presented for payment upon receipt. If they are presented before the conditions of the Issue are fulfilled, the application monies will be kept in a separate bank account until the conditions are fully met. If the conditions of the Issue are not fulfilled on or before 8.00 a.m. on 27 October 2010, or such later time and/or date as the Company may determine (being no later than 8.00 a.m. on 5 November 2010), the Issue will lapse and all application monies will be returned without interest by crossed cheque in favour of the first named applicant through the post at the risk of the applicant(s) as soon as is practicable after that date. Interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the building society cheque/banker's draft to such effect that they have joint or sole title to the funds. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Deposit of Open Offer Entitlements into, and withdrawal from, CREST

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer and Excess Application Facility as shown by the Open Offer Entitlement and Excess Non-CREST Open Offer Entitlement set out in his Open Offer Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Open Offer Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Normal CREST procedures (including timings) apply in relation to any such deposit subject as set out in the Open Offer Application Form.

A holder of an Open Offer Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlement and Excess Non-CREST Open Offer Entitlement following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 October 2010. In particular, having regard to normal processing times in CREST and on the part of Capita Registrars, the recommended latest time for depositing a Open Offer Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Open Offer Application Form as Open Offer Entitlement and an Excess Non-CREST Open Offer Entitlement in CREST, is 3.00 p.m. on 14 October 2010, so as to enable the person holding the Open Offer Entitlement and Excess CREST Open Offer Entitlement in CREST following the deposit to take all necessary steps in connection with applying in respect of the Open Offer Entitlement and Excess CREST Open Offer Entitlement prior to 11.00 a.m. on 19 October 2010.

Delivery of an Open Offer Application Form with a CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Open Offer Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Registrars by the relevant Qualifying Shareholder(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 3 of the Open Offer Application Form, and a declaration to the Company and Capita Registrars from the relevant Qualifying Shareholder(s) that it/they

is/are not citizen(s) or resident(s) of an Excluded Territory and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer and Excess Application Facility by virtue of a *bona fide* market claim.

Effect of valid application

By completing and delivering an Open Offer Application Form the applicant:

- (i) agrees that all applications under the Open Offer and any contractual or non-contractual rights and obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;
 - (ii) gives the representations and warranties, confirmations and authorities set out and contained in the Open Offer Application Form; and
 - (iii) represents and warrants that if the applicant received some or all of the applicant's Open Offer Entitlement and/or Excess Non-CREST Open Offer Entitlement from a person other than the Company, the applicant is entitled to apply under the Open Offer and Excess Application Facility in relation to such Open Offer Entitlement and/or Excess Non-CREST Open Offer Entitlement by virtue of a *bona fide* market claim.
- (b) *If your Open Offer Entitlement and Excess CREST Open Offer Entitlement has been credited to your stock account in CREST*

General

Subject as provided in paragraph 1.4 of this Part in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlement equal to the number of C Shares which represents his Open Offer Entitlement together with an Excess CREST Open Offer Entitlement. As the Open Offer is being made on the basis of 1 C Share for every 1 Existing Ordinary Share, and 1 C Share for every 1 Existing Subscription Share, no fractional entitlements will arise.

The CREST stock account to be credited will be an account under the CREST participant ID and CREST member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited, by 5.00 p.m. on 4 October 2010, or such later time and/or date as the Company may decide, an Open Offer Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements and Excess CREST Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Open Offer Application Forms will apply to Qualifying CREST Shareholders who receive such Open Offer Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to C Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you have any questions relating to this document, the completion and return of either Application Form and/or the White Form of Proxy in respect of the General Meeting, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may

apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

Market claims

Each of the Open Offer Entitlement and the Excess CREST Open Offer Entitlement will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although the Open Offer Entitlement and the Excess CREST Open Offer Entitlement will be admitted to CREST and be enabled for settlement, application in respect of the Open Offer Entitlement and the Excess CREST Open Offer Entitlement may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the Excess CREST Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement and the relevant Excess CREST Open Offer Entitlement will thereafter be transferred accordingly.

Excess Application Facility

Qualifying Shareholders may apply to acquire C Shares using the Excess Application Facility, should they wish. The Excess Application Facility enables Qualifying CREST Shareholders to apply for C Shares in excess of their Open Offer Entitlement.

An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 1.4 of this Part in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for C Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Open Offer Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer and/or the Excess Application Facility may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for C Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions set out under the heading “*USE Instructions*” below and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the relevant Open Offer Entitlement be transferred, the Excess CREST Open Offer Entitlement will not transfer with the Open Offer Entitlement claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE Instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

C Shares to be issued under the Excess Application Facility may be allocated in such manner as the Directors determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all. In the event of oversubscription under the Excess Application Facility the Directors intend to limit applications by Qualifying Shareholders pro-rata to their aggregate holdings of Existing Ordinary Shares and Existing Subscription Shares (ranking equally for such purpose). However, the Directors also have the discretion (but are

not obliged) to scale back the Placing in favour of the Excess Application Facility by reallocating C Shares that would otherwise be available under the Placing to Qualifying Shareholders through the Excess Application Facility.

Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

CREST members who wish to apply to acquire some or all of their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. If you have any questions relating to this document or the completion and return of the White Form of Proxy, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

USE Instructions

Qualifying CREST Shareholders who are CREST members and who wish to apply for Open Offer Shares in respect of all or part of their Open Offer Entitlement and Excess CREST Open Offer Entitlement in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event ("USE") instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Registrars under the participant ID and member account ID specified below, with a number of Open Offer Entitlements and Excess CREST Open Offer Entitlement corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of Capita Registrars in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph (i) above.

Content of USE Instructions in respect of Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of C Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00B673Z758;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars in its capacity as Receiving Agent. This is 7RA33;
- (vi) the member account ID of Capita Registrars in its capacity as Receiving Agent. This is 27197IMP;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of C Shares referred to in (i) above;

- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 19 October; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 19 October.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 19 October in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional on or before 8.00 a.m. on 27 October 2010 or such later time and/or date as the Company may determine (being no later than 8.00 a.m. on 5 November 2010), the Open Offer will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and Capita Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.

Content of USE Instructions in respect of Excess CREST Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of C Shares for which the application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00B66VX981;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars in its capacity as Receiving Agent. This is 7RA33;
- (vi) the member account ID of Capita Registrars in its capacity as Receiving Agent. This is 27197IMP;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of C Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 19 October; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 19 October.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 19 October in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlement security.

In the event that the Issue does not become unconditional by 8.00 a.m. on 27 October 2010 or such later time and date as the Directors determine (being no later than 8.00 a.m. on 5 November 2010), the Open Offer will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.

Withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST

A Qualifying CREST Shareholder's Open Offer Entitlement and Excess CREST Open Offer Entitlement held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and Excess Application Facility is reflected in an Open Offer Application Form. Normal CREST procedures (including timings) apply in relation to any such withdrawal. The recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 13 October 2010, so as to enable the person acquiring the Open Offer Entitlement and Excess CREST Open Offer Entitlement following the withdrawal (as shown in the relevant Open Offer Application Form) to take all necessary steps in connection with applying in respect of the Open Offer Entitlement and Excess CREST Open Offer Entitlement prior to 11.00 a.m. on 19 October 2010.

Validity of application

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 19 October 2010 will constitute a valid application under the Open Offer.

CREST procedures and timings

CREST members and (where applicable) their CREST sponsors should note that CREST does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 19 October 2010. In this connection CREST members and (where applicable) their CREST sponsors are referred to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Incorrect or incomplete applications

If a USE Instruction includes a CREST payment for an incorrect sum, the Company through Capita Registrars reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;

- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question; and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question.

Effect of valid application

A Qualifying CREST Shareholder who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita Registrars' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (ii) agree that the Open Offer Shares to which he will become entitled be issued to him on the terms and subject to the conditions set out in this document and subject to the articles of association of the Company;
- (iii) agree that all applications under the Open Offer and any contractual or non-contractual rights or obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iv) represent and warrant that he is not, and is not applying on behalf of any person who is, a resident of or a corporation, partnership or other entity created or organised in or under any laws of an Excluded Territory and he is not applying with a view to reoffering, reselling, transferring or delivering directly or indirectly any of the Open Offer Shares which are the subject of the application to, or for the benefit of, a person who is a resident of or a corporation, partnership or other entity created or organised in or under any laws of an Excluded Territory and he is not acting on behalf of any such person on a non-discretionary basis or (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer or he is exempt from, and the application is a transaction not subject to, the registration requirements of the United States Securities Act of 1933 (as amended) or the applicable law or regulations of any other Excluded Territory;
- (v) represent and warrant that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986;
- (vi) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agree that having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained therein; and
- (vii) represent and warrant that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements and Excess CREST Open Offer Entitlements or that he has received such Open Offer Entitlements and Excess CREST Open Offer Entitlements by virtue of a *bona fide* market claim.

Company's discretion as to the rejection and validity of applications

The Company may in its sole discretion:

- (i) reject, or treat as valid (and binding on the CREST member concerned), an application which does not comply in all respects with the requirements as to validity set out or referred to in this document;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE Instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "**first instruction**") as not constituting a valid application if, at the time at which Capita Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Registrars have received actual notice from CRESTCo of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE Instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST, (or any part of CREST), or on the part of the facilities and/ or systems operated by Capita Registrars in connection with CREST.

1.2 *Withdrawal rights*

Qualifying Shareholders wishing to exercise statutory withdrawal rights after publication by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile or any other form of electronic communication), which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such a person is a CREST member, the Participant ID and the Member Account ID of such CREST member, with Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by Capita Registrars after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant Qualifying Shareholder of its subscription in full and the allotment of Open Offer Shares to such Qualifying Shareholder becoming unconditional. In such event Shareholders are advised to seek independent legal advice.

1.3 *Money Laundering Regulations*

- 1.3.1 Under the Money Laundering Regulations 2007, the Receiving Agent may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of €15,000 of C Shares. The Receiving Agent may therefore undertake electronic searches for the purposes of verifying identity. To do so, the Receiving Agent may verify the details against the identity of the applicant or of any person on whose behalf the application is made, but also may request further proof of identity. The Receiving Agent reserves the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.

- 1.3.2 Payments must be made by cheque, banker's draft or money order in pounds sterling drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques, banker's drafts or money orders to be cleared through the facilities provided for members of either of those companies. Such cheques, banker's drafts or money orders must bear the appropriate sort code in the top right-hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Capita Registrars Limited re: Impax Asian Environmental Markets plc" and crossed "A/C Payee only". Third-party cheques will not be accepted with the exception of building society cheques, banker's drafts or money orders where the building society or bank has entered the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and adds its stamp and authorised signature. The account name should be the same as that shown on the application.
- 1.3.3 You agree that, in order to ensure compliance with the Money Laundering Regulations 2007, the Receiving Agent may, in its absolute discretion, require verification of identity from any person lodging an Application Form who either tenders payment by way of banker's draft or money order, or appears to the Receiving Agent to be acting on behalf of some other person. In either case, verification of the identity of the applicant or of the person on whose behalf the application is made may be required. Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the despatch of documents.
- 1.3.4 If you are making the application as agent for one or more persons, you should provide evidence with the Application Form that you are subject to the European Money Laundering Directive (2005/60/EC), confirming your regulated status and naming the regulatory authority of your home state or jurisdiction.

1.4 ***Overseas Shareholders***

The distribution of this document and the Open Offer Application Form and the making of the Open Offer to persons located or resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom may be restricted by the law or regulatory requirements of the relevant jurisdiction. Any failure to comply with such restrictions may constitute a violation of the securities laws of the relevant jurisdiction. Any Shareholder who is in any doubt as to his or her position should consult an appropriate professional adviser without delay.

Receipt of this document and/or the Open Offer Application Form and/or a credit of an Open Offer Entitlement or Excess CREST Open Offer Entitlement in a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or any related offer and/or acceptance and, in those circumstances, this document and/or the Open Offer Application Form will be sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or the Open Offer Application Form and/or a credit of an Open Offer Entitlement or Excess CREST Open Offer Entitlement in a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, or use the Open Offer Application Form and/or a credit of an Open Offer Entitlement or Excess CREST Open Offer Entitlement in a stock account in CREST, unless in the relevant territory such an invitation or offer could lawfully be made to him/her and such Open Offer Application Form and/or a credit of an Open Offer Entitlement or Excess CREST Open Offer Entitlement in a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or the Open Offer Application Form and/or a credit of an Open Offer Entitlement or Excess CREST Open Offer Entitlement in a stock account in CREST should not, in connection with the Open Offer or otherwise, distribute or send the same to any person in, or citizen or resident of, or into any jurisdiction where to do so would

or might contravene local securities laws or regulations. If a copy of this document and/or the Open Offer Application Form and/or a credit of an Open Offer Entitlement or Excess CREST Open Offer Entitlement in a stock account in CREST are received by any person in any such territory, or by their agent or nominee in any such territory, he or she must not seek to apply for Open Offer Shares. Any person who does forward this document and/or the Open Offer Application Form and/or a credit of an Open Offer Entitlement or Excess CREST Open Offer Entitlement in a stock account in CREST into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 1.4.

Any person (including, without limitation, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares must satisfy himself/herself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 1.4 are intended as a general guide only and any Shareholder who is in any doubt as to his/her position should consult his/her appropriately authorised professional adviser without delay.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of share certificates for Open Offer Shares, or in the case of a credit of Open Offer Shares in CREST to a CREST Member whose registered address would be, in the United States, Canada, Japan, the Republic of South Africa, Australia or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or shares.

Qualifying Shareholders in jurisdictions outside the United Kingdom other than the United States, Canada, Japan, the Republic of South Africa or Australia may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares in accordance with the instructions set out in this document and the Open Offer Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident in, or who are citizens of, countries other than the United Kingdom should, however, consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Shares.

Notwithstanding any other provision of this document or the Open Offer Application Form, the Company reserves the right to permit any Qualifying Shareholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied at any time prior to 11.00 a.m. on 19 October 2010 that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

If you are in any doubt as to your eligibility to take up Open Offer Shares, you should contact an appropriate professional adviser immediately.

1.5 *Times and dates*

The times and dates set out in the expected timetable of principal events at the beginning of this document may be adjusted by agreement between the Company and Collins Stewart, in which event details of the new times and dates will be notified to a Regulatory Information Service and, where appropriate, to Qualifying Shareholders.

1.6 *Governing law*

The terms and conditions of the Open Offer as set out in this section of the document and the Open Offer Application Form and any contractual or non-contractual rights or obligations arising therefrom shall be governed by, and construed in accordance with, the laws of England and Wales.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document and the Open Offer Application Form.

By taking up their entitlements under the Open Offer in accordance with the instructions set out in this document and the Open Offer Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

2. Admission to trading and dealing arrangements

Applications will be made to (i) the UK Listing Authority for the C Shares and the Ordinary Shares arising on Conversion and the Subscription Shares to be issued immediately following Conversion to be admitted to the Official List and (ii) to the London Stock Exchange's Main Market for listed securities for such shares to be admitted to trading. It is expected that Admission of the C Shares will become effective and that dealings in the C Shares will commence by 8.00 a.m. on 27 October 2010. It is expected that admission of the Ordinary Shares arising on Conversion and the Subscription Shares to be issued immediately following Conversion will become effective and that dealings in such Shares will commence on or before 28 February 2011.

Subject to the satisfaction of the conditions of the Issue, the C Shares will be registered in the names of the persons to whom they are issued, either:

- (a) in certificated form, with the relevant share certificate expected to be despatched by post, at the applicant's risk, during the week commencing 1 November 2010; or
- (b) in CREST, with delivery (to the designated CREST account) of the Open Offer Shares applied for expected to take place on 27 October 2010 unless the Company exercises its right to issue such Open Offer Shares in certificated form.

The result of the Open Offer will be announced on a Regulatory Information Service.

No temporary documents of title will be issued. All documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her own risk.

TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION

1. Introduction

If you apply for C Shares under the Offer for Subscription, you will be agreeing with the Company, Collins Stewart and Capita Registrars (the “**Receiving Agent**”) as set out in these Terms and Conditions of Application.

2. Offer to Acquire C Shares

2.1 Your application must be made on the Offer for Subscription Application Form attached at the end of this document. By completing and delivering an Offer for Subscription Application Form, you, as the applicant, and, if you sign the Offer for Subscription Application Form on behalf of another person or a corporation, that person or corporation:

- (i) offer to subscribe for the aggregate value, at the Issue Price of 100 pence per C Share, specified in Box 2 of your Application Form (or such lesser amount for which your application is accepted) on the terms, and subject to the conditions, set out in the this document (including these Terms and Conditions of Application) and the Articles of Association of the Company, as amended from time to time;
- (ii) agree that, in consideration of the Company and Collins Stewart agreeing that they will not, prior to Admission, offer for subscription any C Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked and that this paragraph 2 shall constitute a collateral contract between you, the Company and Collins Stewart which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by the Receiving Agent of your Offer for Subscription Application Form;
- (iii) warrant that the remittance accompanying your Offer for Subscription Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to have the C Shares applied for in uncertificated form credited to a CREST account or to receive a certificate for the C Shares applied for in certificated form or to enjoy or receive any rights in respect of such securities unless and until you make payment in cleared funds for the C Shares subscribed for by you and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) avoid the agreement to allot such C Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you at your risk of any proceeds of the remittance, once honoured, which accompanied your Offer for Subscription Application Form, without interest);
- (iv) agree that the crediting to a CREST account of any C Shares in uncertificated form to which you may become entitled may be delayed by, and that any certificate in respect of any C Shares in certificated form to which you or, in the case of joint applicants, any of the persons specified by you in your Offer for Subscription Application Form, may become entitled and monies returnable may be retained by, the Receiving Agent:
 - (a) pending clearance of your remittance;
 - (b) pending investigation of any suspected breach of the warranties contained in subparagraph 6(i), (ii), (vi), (viii) or (ix) of these Terms and Conditions of Application or any other suspected breach of these Terms and Conditions of Application; or

- (c) pending any verification of identity which is, or which Collins Stewart or the Receiving Agent consider may be, required for the purposes of the Money Laundering Regulations 2007;

and any interest accruing on any retained monies shall accrue to and for the benefit of the Company;

- (v) agree, on the request of Collins Stewart or the Receiving Agent, to disclose promptly in writing to them such information as Collins Stewart or the Receiving Agent may request in connection with your application and authorise Collins Stewart and the Receiving Agent to disclose any information relating to your application which they may consider appropriate;
- (vi) agree that, if evidence of identity satisfactory to Collins Stewart and/or the Receiving Agent is not provided to the Receiving Agent within a reasonable time in the opinion of Collins Stewart following a request therefor, the Company or Collins Stewart may terminate the agreement with you to allot C Shares and, in such case, the C Shares which would otherwise have been allotted to you may be re-allotted and your application monies will be returned to the bank or other account on which the cheque or other remittance accompanying the application was drawn, without interest;
- (vii) agree that you are not applying on behalf of a person engaged in money laundering;
- (viii) undertake to ensure that, in the case of an Offer for Subscription Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Offer for Subscription Application Form;
- (ix) undertake to pay interest at the rate described in paragraph 3.4 of these Terms and Conditions of Application if the remittance accompanying your Offer for Subscription Application Form is not honoured on first presentation;
- (x) authorise the Receiving Agent to credit the CREST account specified in Box 5 of the Offer for Subscription Application Form with the number of C Shares for which your application is accepted or, if that box is not completed, send a definitive certificate in respect of the number of C Shares for which your application is accepted by post to your address (or that of the first-named applicant) as set out in your Offer for Subscription Application Form;
- (xi) agree that in the event of any difficulties or delays in the admission of the C Shares to CREST or the use of CREST in relation to the Issue, the Company and Collins Stewart may agree that all of the C Shares should be issued in certificated form;
- (xii) authorise the Receiving Agent to send a crossed cheque for any monies returnable by post to your address (or that of the first-named applicant) as set out in your Offer for Subscription Application Form;
- (xiii) confirm that you have read and complied with paragraph 8 of these Terms and Conditions of Application; and
- (xiv) agree that your Offer for Subscription Application Form is addressed to the Company and Collins Stewart.

2.2 Any application may be limited, scaled down or rejected in whole or in part.

3. Acceptance of your Offer

3.1 Collins Stewart may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) either:

- (i) by notifying the UK Listing Authority of the basis of allocation (in which case the acceptance will be on that basis); or
- (ii) by notifying acceptance to the Receiving Agent.

- 3.2 Up to 10,000,000 C Shares are available under the Offer for Subscription. The Directors have the discretion (but are not obliged) to scale back the Offer for Subscription in favour of the Open Offer and Excess Application Facility by reallocating C Shares that would otherwise be available under the Offer for Subscription to be available to Qualifying Shareholders through the Open Offer and/or the Excess Application Facility. Any C Shares that are available under the Open Offer and are not taken up by Qualifying Shareholders pursuant to their Open Offer Entitlements or under the Excess Application Facility will be made available under the Offer for Subscription and thereafter under the Placing. In the event that the Offer for Subscription is oversubscribed, the Directors have the discretion (but are not obliged) to scale back the Placing in favour of the Offer for Subscription by reallocating C Shares that would otherwise be available under the Placing to applicants under the Offer for Subscription.
- 3.3 The basis of allocation will be determined by Collins Stewart in consultation with the Company. The right is reserved notwithstanding the basis so determined to reject in whole or in part and/or scale down or limit any application. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying the Offer for Subscription Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Offer for Subscription Application Form where you have agreed with them in some other manner to apply in accordance with these Terms and Conditions of Application. The Company reserves the right (but shall not be obliged) to accept Offer for Subscription Application Forms and accompanying remittances which are received through the post after 1.00 p.m. on 15 October 2010.
- 3.4 The right is reserved to present all cheques for payment on receipt by the Receiving Agent and to retain documents of title and surplus application monies pending clearance of successful applicants' cheques. Collins Stewart may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the cheque accompanying your application is not honoured on first presentation. If you are required to pay interest, you will be obliged to pay the amount determined by Collins Stewart to be the interest on the amount of the cheque from the date on which the basis of allocation under the Offer for Subscription is publicly announced until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by Collins Stewart plus 2 per cent. per annum.
- 3.5 The Company reserves the right in its absolute discretion (but shall not be obliged) to accept applications for less than £1,000 or for applications other than in multiples of £1,000.

4. Conditions

- 4.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon:
- (i) the passing of the Resolutions in the Notice of General Meeting set out on pages 88 to 89 of this document at the General Meeting;
 - (ii) admission of the C Shares by 8.00 a.m. on 27 October 2010 (or such later time or date, not being later than 5 November 2010, as the Company and Collins Stewart may agree); and
 - (iii) the Placing Agreement referred to in paragraph 7 of Part VI of this document becoming unconditional and the obligations of Collins Stewart thereunder not being terminated.
- 4.2 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

5. Return of Application Monies

If any application is rejected, or is accepted in part only or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned, without interest, by returning your cheque, or by crossed cheque in favour of the first-named applicant, by post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

6. Warranties

By completing an Offer for Subscription Application Form, you:

- (i) warrant that, if you sign the Offer for Subscription Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation and that such other person or corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- (ii) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, warrant that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any such territory or jurisdiction and that you have not taken any action or omitted to take any action which will or may result in the Company, Collins Stewart or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer for Subscription in respect of your application;
- (iii) confirm that, in making an application, you are not relying on any information or representations in relation to the Company other than those contained in this document (on the basis of which alone your application is made) and, accordingly, you agree that no person responsible solely or jointly for this document or any part of it shall have any liability for any such other information or representation;
- (iv) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations contained in it;
- (v) acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company or Collins Stewart;
- (vi) warrant that you are not under the age of 18 on the date of your application;
- (vii) agree that all documents and monies sent by post to, by or on behalf of the Company, Collins Stewart or the Receiving Agent will be sent at your risk and, in the case of documents and returned monies to be sent to you, may be sent to you at your address (or in the case of joint applicants, the address of the first-named applicant) as set out in your Offer for Subscription Application Form;
- (viii) warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services); and
- (ix) confirm that you have reviewed the restrictions contained in paragraph 8 of these Terms and Conditions of Application and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions in that paragraph.

7. Money Laundering

- (a) Under the Money Laundering Regulations 2007, the Receiving Agent may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of €15,000 of C Shares. The Receiving Agent may therefore undertake electronic searches for the purposes of verifying identity. To do so, the Receiving Agent may verify the details against the identity of the applicant or of any person on whose behalf the application is made, but also may request further proof of identity. The Receiving Agent reserves the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.
- (b) Payments must be made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right-hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Capita Registrars Limited re: Impax Asian Environmental Markets plc Offer for Subscription a/c" and crossed "A/C Payee only". Third-party cheques will not be accepted with the exception of building society cheques, banker's drafts or money orders where the building society or bank has entered on the back the name, address and account number of the person whose account is being debited on the reverse of the cheque or banker's draft and adds its stamp and authorised signature stating that they have sole or joint title to the funds. The account name should be the same as that shown on the application.
- (c) You agree that, in order to ensure compliance with the Money Laundering Regulations 2007, the Receiving Agent may, in its absolute discretion, require verification of identity from any person lodging an Offer for Subscription Application Form who either tenders payment by way of banker's draft or money order, or appears to the Receiving Agent to be acting on behalf of some other person. In either case, verification of the identity of the applicant or of the person on whose behalf the application is made may be required. Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the despatch of documents.
- (d) If you are making the application as agent for one or more persons, you should provide evidence with the Application Form that you are subject to the European Money Laundering Directive (2005/60/EC), confirming your regulated status and naming the regulatory authority of your home state or jurisdiction.

8. Overseas Investors

- 8.1 If you receive a copy of this document or an Offer for Subscription Application Form in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Offer for Subscription Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Offer for Subscription Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the United Kingdom wishing to make an application for C Shares under the Offer for Subscription, to satisfy yourself as to full observance of the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 8.2 None of the Shares have been, or will be registered under the laws of Canada, Japan, the Republic of South Africa or Australia or under the United States Securities Act of 1933, as amended (the "Securities Act") or under the securities legislation of any state or other political sub-division of the United States, Canada, Japan, the Republic of South Africa or Australia and the relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of the United States, the Republic of South Africa, Canada, Australia or

Japan. Accordingly, no Shares may be offered, sold or delivered, directly or indirectly, in, into or within the United States, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, a US Person (as defined in Regulation S of the Securities Act), or any national, citizen or resident of the United States, Australia, Canada, Japan or the Republic of South Africa, except in transactions that are exempt from the registration requirements under the Securities Act or other applicable laws. This document does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for Shares in any jurisdiction in which such offer or solicitation is unlawful. In making your application under the Offer for Subscription you will, unless the Company and Collins Stewart agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a US Person or a resident of Canada, Japan, the Republic of South Africa or Australia and that you are not subscribing for such C Shares for the account of any US Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any C Shares or Ordinary Shares arising on Conversion in the United States or to any US Person or a resident of Canada, Japan, the Republic of South Africa or Australia. No application will be accepted if it bears an address in the United States, Canada, Japan, the Republic of South Africa or Australia.

9. Miscellaneous

- 9.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the C Shares and the Offer for Subscription.
- 9.2 The rights and remedies of the Company, Collins Stewart and the Receiving Agent pursuant to these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to any of them, and the exercise or partial exercise of one will not prevent the exercise of others.
- 9.3 The Company reserves the right to delay the closing time of the Offer for Subscription from 1.00 p.m. on 15 October 2010 by giving notice to the UK Listing Authority. In this event, the revised closing time will be published in such manner as Collins Stewart, in consultation with the Company, determines subject, and having regard, to the requirements of the UK Listing Authority.
- 9.4 Collins Stewart may terminate the Placing Agreement prior to Admission becoming effective in accordance with its terms. If such right is exercised, the Offer for Subscription will lapse and any monies will be returned to you, without interest.
- 9.5 You agree that Collins Stewart is acting for the Company in connection with the Issue and for no-one else and that Collins Stewart will not treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of C Shares or concerning the suitability of C Shares or Ordinary Shares arising on Conversion or Subscription Shares to be issued immediately following Conversion for you or otherwise in relation to the Issue.
- 9.6 You authorise the Receiving Agent or any person authorised by it or the Company, as your agent, to do all things necessary to effect registration of any C Shares and Ordinary Shares arising on Conversion or Subscription Shares to be issued immediately following Conversion for which your application is accepted into your name(s) and authorise any representative(s) of the Receiving Agent to execute and/or complete any document required therefor.
- 9.7 You agree that all applications, acceptances of applications under the Offer for Subscription and all contractual or non-contractual rights or obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales and that you irrevocably submit to the jurisdiction of the courts of England and Wales and agree that nothing shall limit the right of the Company, Collins Stewart or the Receiving Agent to bring any action, claim or proceedings arising out of or in connection with any such applications, acceptances and contracts in any other manner permitted by law or in any court of competent jurisdiction.

- 9.8 The dates and times referred to in these Terms and Conditions of Application may be altered by the Company so as to be consistent with the Placing Agreement (as the same may be altered from time to time in accordance with its terms).
- 9.9 Save where the context requires otherwise, terms used in these Terms and Conditions of Application shall bear the same meanings as are ascribed to them elsewhere in this document.
- 9.10 No commissions are available to intermediaries applying under the Open Offer or Offer for Subscription on behalf of clients.

PROCEDURE FOR APPLICATION UNDER THE OFFER FOR SUBSCRIPTION

Before completing the Application Form, ALL APPLICANTS should read notes 1-5, 7 and 8 below. JOINT APPLICANTS should also read note 6 below.

1. Personal Details

Fill in (in BLOCK CAPITALS) the full name and address of the applicant in Box 1. If this application is being made jointly with other persons, please read note 6 below before completing Box 1.

2. Application

Fill in (in figures) the fixed sum, in sterling, being the aggregate value at the Issue Price of the C Shares that you wish to apply for under the Offer for Subscription in Box 2. Your application must be for a minimum aggregate value of £1,000 and thereafter in multiples of £1,000. Multiple applications are not permitted.

3. Signature

The applicant(s) named in Box 1 must date and sign Box 3.

The Offer for Subscription Application Form may be signed by another person on your behalf if that person is duly authorised to do so under a power of attorney. The original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated.

4. How to Pay

Attach a cheque or banker's draft for the exact amount shown in Box 2 to your completed Offer for Subscription Application Form. Your cheque or banker's draft must be made payable to "Capita Registrars Limited re: Impax Asian Environmental Markets plc Offer For Subscription a/c" and crossed "A/C Payee".

Your payment must relate solely to this application. No receipt will be issued.

Your cheque or banker's draft must be drawn in Sterling on an account where the applicant has sole or joint title to the funds and on an account at a bank branch in the United Kingdom, the Channel Islands or the Isle of Man and must bear a United Kingdom bank sort code number. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application.

Applications with a value of €15,000 (or the Sterling equivalent) or greater, which are to be settled by way of a third-party payment (e.g. banker's draft or building society cheque), will be subject to the United Kingdom's verification of identity requirements which are contained in the Money Laundering Regulations 2007. For UK applicants, this may involve verification of names and addresses (only) through a reputable agency. For non-UK applicants, verification of identity may be sought from your bankers or from another reputable institution or professional adviser in the applicant's country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time, and in any event (unless the Offer for Subscription is extended) by 1.00 p.m. on 15 October 2010, your application may not be accepted.

5. CREST

If you wish to register your C Shares directly into your CREST account you should insert the relevant details in Box 5. If you do not complete Box 5, you will receive your C Shares in certificated form.

6. Joint Applicants

If you make a joint application, you will not be able to transfer your C Shares into an ISA. If you are interested in transferring your C Shares into an ISA, you should apply in your name only.

If you do wish to apply jointly, you may do so with up to three other persons. The first applicant must complete the first entry in Box 1 and also Box 3. All other persons who wish to join in the application must complete the remaining entries in Box 1 and sign and date the corresponding entry in Box 3.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) must be enclosed for inspection. Certificates, cheques or other correspondence will be sent to the first applicant in Box 1.

7. Contact Telephone Number

Insert in Box 4 a daytime contact telephone number, including the area code (and, if different, from the person named in Box 1, the name of the person to contact) in the case of any queries regarding your application.

8. Instructions for Delivery of Completed Application Forms

Completed Offer for Subscription Application Forms should be returned, by post to or by hand only (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by no later than 1.00 p.m. on 15 October 2010, together with payment in full in respect of the application. If you post your Offer for Subscription Application Form, you are recommended to use first class post and to allow at least four Business Days for delivery. Offer for Subscription Application Forms received after 1.00 p.m. on 15 October 2010 may be rejected.

IMPAX ASIAN ENVIRONMENTAL MARKETS PLC
OFFER FOR SUBSCRIPTION APPLICATION FORM

IMPORTANT: Before completing this form, you should read the notes set out in the Sections headed “Terms and Conditions of Application under the Offer for Subscription” and “Procedure for Application under the Offer for Subscription” of this document. All applicants must complete Boxes 1 to 4 and, if applicable, Box 5.

Box 1

First Applicant

Title	Surname
Forename(s)	
Address	
	Postcode

Joint applicant (if applicable)

Title	Surname
Forename(s)	

Joint applicant (if applicable)

Title	Surname
Forename(s)	

Joint applicant (if applicable)

Title	Surname
Forename(s)	

Please return the completed form, by post or by hand (during normal business hours only) to Capita Registrars Limited, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received no later than 1.00 p.m. on 15 October 2010. If you have a query concerning completion of this Offer for Subscription Application Form, please call Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider’s network extras. Calls to the help line from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

2. Application

I/We offer to subscribe for the number of C Shares at the issue price of 100 pence per C Share for which my/our application is accepted on and subject to the terms and conditions of application set out in the prospectus dated 1 October 2010 and subject to the articles of association of the Company.

Number of C Shares	At 100 pence per C Share	£
<i>Write in figures the total number of C Shares you wish to subscribe for (minimum of 1,000 and thereafter in multiples of 1,000)</i>	<i>Write, in figures, the aggregate value, at the issue price of 100 pence per C Share that you wish to subscribe for (minimum of £1,000 and thereafter in multiples of £1,000)</i>	



3. Signatures

All applicants must sign here (in the order they appear in Box 1 above). Any person signing this Offer for Subscription Application Form under a Power of Attorney must enclose the original or certified copy of such document for inspection

Please sign here →	First or sole holder:		Third holder (if any)	
	Usual signature		Usual signature	
	Date		Date	
	Second holder (if any)		Fourth holder (if any)	
	Usual signature		Usual signature	
	Date		Date	

4. Contact Telephone Number

Contact Name	
Telephone Number	

(Insert a daytime contact telephone number, including STD (and, if different, from the person named in Box 1 above, the name of the person to contact), in the case of any queries regarding your application)

5. CREST Details *(Only complete this section if you wish to register the C Shares issued pursuant to your application directly into your CREST account)*

CREST participant ID	CREST Member Account ID
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How to Pay

Pin your cheque or banker's draft at the top of the first page for the exact amount shown in Box 2. Your cheque or banker's draft must be made payable to "**Capita Registrars Limited re: Impax Asian Environmental Markets plc Offer For Subscription a/c**" and crossed "A/C Payee". Your payment must relate solely to this application. No receipt will be issued. The right is reserved to reject any application in respect of which the applicant's cheque or banker's draft has not been cleared on first presentation. Please also see note 7 in the "**Terms and Conditions of Application under the Offer for Subscription**" section of the Prospectus, and the additional notes below, relating to compliance with the requirements of the UK Money Laundering Regulations 2007.

United Kingdom Money Laundering Regulations – Applications in excess of €15,000 (or the pounds sterling equivalent)

If the value of the C Shares for which you subscribe exceeds €15,000 (or the pounds sterling equivalent) and **you use a building society cheque or banker's draft** you should ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the cheque or banker's draft or money order and adds its stamp and authorised signature.

Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained within a reasonable time, and in any event (unless the Offer for Subscription is extended) by 1.00 p.m. on 15 October 2010, your application may be rejected.

