

# Aberdeen Asian Income Fund Limited

Targeting rising income and growth from high-quality Asian companies,  
selected first-hand by our local teams



# Targeting rising income and growth from high-quality Asian companies, selected first-hand by our local teams

The Investment Manager's investment philosophy is to find good quality companies that offer both capital growth and an attractive dividend story over the long term; with a team of more than 40 analysts based on the ground across Asia meeting companies and uncovering often-mispriced opportunities.



"Four quarterly dividends were declared over 2019. The first three were paid at the rate of 2.25p with the fourth interim at 2.5p for the year, representing an increase in total dividends from 9.15p to 9.25p for the year."

**Charles Clarke,**  
Chairman



"Although nobody can accurately predict when the world will return to normal, what remains consistent is our investment philosophy that targets sustainable growth, both in capital and in dividends, over the long term."

**Yoojeong Oh,**  
Investment Director



To download an interactive version of this report please visit [asian-income.co.uk](http://asian-income.co.uk)

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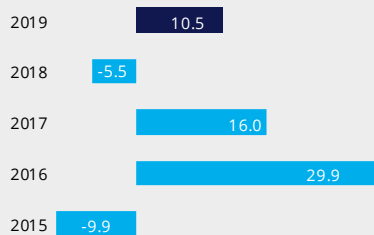
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# Company Highlights

## At a glance

### Net Asset Value Total Return



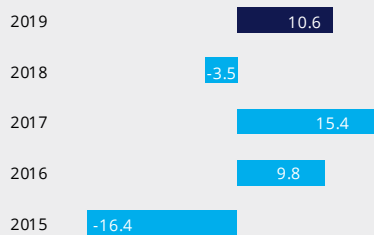
To 31 December – percentage

### Dividends per Share



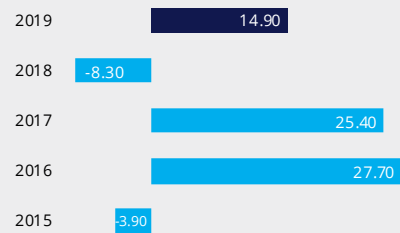
To 31 December – percentage

### MSCI AC Asia Pacific ex Japan High Dividend Yield Index Total Return (currency adjusted)



Year ended 31 December – percentage

### MSCI Asia Pacific Ex Japan Index Total Return (currency adjusted)



To 31 December – percentage

### Total Shareholders' Funds

£403.40m

### Market Capitalisation

£380.05m

### Capital Structure

Ordinary shares of 25 pence each in issue

177,591,975

“The Board is conscious of the ongoing demand for yield and will aim to reward shareholders when possible to do so.”

Charles Clarke, Chairman

## Dividend per Ordinary share – 2019

9.25p

2018

9.15p

## Earnings per Ordinary share – basic (revenue) – 2019

9.42p

2018

9.25p

Net asset value total return<sup>AB</sup> – 2019

+10.5%

2018

-5.5%

Share price total return<sup>AB</sup> – 2019

+14.2%

2018

-6.2%

MSCI AC Asia Pacific ex Japan Index total return (currency adjusted)<sup>B</sup> – 2019

+14.9%

2018

-8.3%

MSCI AC Asia Pacific ex Japan High Dividend Yield Index total return (currency adjusted)<sup>B</sup> – 2019

+10.6%

2018

-3.5%

Yield – 2019<sup>C</sup>

4.3%

2018<sup>C</sup>

4.7%

Discount to net asset value per Ordinary share – 2019<sup>AC</sup>

5.8%

2018<sup>C</sup>

8.5%

Ongoing charges<sup>A</sup> – 2019

1.08%

2018

1.11%

Net gearing<sup>A</sup> – 2019

8.1%

2018

8.9%

<sup>A</sup> Alternative Performance Measure (see pages 102 and 103).<sup>B</sup> Total return represents the capital return plus dividends reinvested.<sup>C</sup> As at 31 December.

# Summary of Results

	31 December 2019	31 December 2018	% change
Total assets (see definition on page 99)	£439,392,000	£419,128,000	+4.8
Total equity shareholders' funds (net assets)	£403,403,000	£382,199,000	+5.5
Market capitalisation	£380,047,000	£349,670,000	+8.7
Share price per Ordinary share <sup>A</sup>	214.00p	195.75p	+9.3
Net asset value per Ordinary share <sup>A</sup>	227.15p	213.96p	+6.2
Discount to net asset value per Ordinary share <sup>B</sup>	5.8%	8.5%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted) <sup>A</sup>	780.59	700.87	+11.4
MSCI AC Asia Pacific ex Japan High Dividend Yield Index (currency adjusted) <sup>A</sup>	4,004.10	3,803.11	+5.3
Net gearing <sup>B</sup>	8.1%	8.9%	
Ongoing charges ratio <sup>B</sup>	1.08%	1.11%	
<b>Dividend and earnings</b>			
Total return per Ordinary share <sup>C</sup>	22.29p	(13.17p)	
Revenue return per Ordinary share <sup>C</sup>	9.42p	9.25p	+1.8
Dividends per Ordinary share <sup>D</sup>	9.25p	9.15p	+1.1
Dividend cover per Ordinary share <sup>B</sup>	1.02	1.01	
Revenue reserves <sup>E</sup>	£11,060,000	£10,740,000	
Yield <sup>F</sup>	4.3%	4.7%	

<sup>A</sup> Capital values.

<sup>B</sup> Considered to be an Alternative Performance Measure as defined on pages 102 and 103.

<sup>C</sup> Measures the relevant earnings for the year divided by the weighted average number of Ordinary shares in issue (see note 9 on page 76).

<sup>D</sup> The figure for dividends reflects the years in which they were earned (see note 8 on pages 75 and 76).

<sup>E</sup> The revenue reserves figure takes account of the fourth interim dividend amounting to £4,438,000 (2018 – fourth interim amounting to £4,286,000).

<sup>F</sup> Yield is calculated as the dividend per Ordinary share divided by the share price per Ordinary share expressed as a percentage.

## Performance (Total Return) to 31 December 2019

	1 year % return	3 year % return	5 year % return	Since launch <sup>B</sup> % return
Share price (Ordinary) <sup>A</sup>	+14.2	+25.8	+34.4	+270.5
Net asset value <sup>A</sup>	+10.5	+21.2	+41.9	+368.4
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	+14.9	+32.1	+62.2	+336.1
MSCI AC Asia Pacific ex Japan High Dividend Yield Index (currency adjusted)	+10.6	+23.2	+42.6	+306.9

<sup>A</sup> Considered to be an Alternative Performance Measure (see page 102 for more details).

<sup>B</sup> Launch date being 20 December 2005.

“Although 2019 posed plenty of challenges, it was another positive year for Asian equities and your Company’s net asset value rose by a respectable 10.5%.”

Charles Clarke, Chairman  
14 May 2020



By making Environmental Social and Governance (ESG) factors central to its investment capabilities, the Investment Manager looks to deliver improved financial performance





## Chairman's Statement

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"Your Investment Manager's focus on steady income generation for your Company has resulted in an increase in dividend per share for investors for the 11<sup>th</sup> consecutive year."

Charles Clarke, Chairman

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## Background and Overview

This Annual Report covers the 2019 financial year, which corresponds with the 2019 calendar year. It goes without saying that the entire world is now well aware of the pandemic that has struck and I have, as a consequence, split my comments and those of your Investment Manager into two: the factual coverage of 2019 itself and then an update on the effects of Covid-19 on Asia and our portfolio so far in 2020 with an outlook for the future.

Although 2019 posed plenty of challenges, it was another positive year for Asian equities and your Company's net asset value rose by a respectable 10.5%. The key worries throughout the year centred on the trade dispute between China and the US. On a day to day basis stock markets followed the see-sawing negotiations and posturing between these two nations. Eventually, by December, the tug-of-war gave way to an initial agreement in the form of a "phase one" deal, in which China pledged to protect American intellectual property and boost purchases of US goods and services. As the name "phase one" suggests, we do not expect this to be the end of the issue, and looking ahead we see further scope for tension, not least as relations may once again sour on the back of President Trump's allegations regarding China's transparency regarding the virus.

Since the end of the review period, the world has faced the rapid spread of the coronavirus (Covid-19) pandemic which has not only posed exceptional challenges for corporates but also affected our daily lives at a very personal level

Such a backdrop has understandably added to concerns about slowing global economic growth, which at the beginning of 2019 prompted a quick about-turn in the direction of monetary policy. Governments, led by the US, had just started moving interest rates upwards towards the end of 2018, but in the wake of poor economic data abruptly reversed direction, with a series of rate cuts to boost liquidity in the financial system and stave off a downturn. Since the end of the review period, the world has faced the rapid spread of the coronavirus (Covid-19) pandemic which has not only posed exceptional challenges for corporates but also affected our daily lives at a very personal level. Your Company aims to generate long term capital gains and dividend

income from Asia and the response to Covid-19 has been varied across the region. In order to provide as much information as possible, we have been actively refreshing the Company's website with both written and podcast updates to cover what your Investment Manager is doing to batten down the hatches during this time of great uncertainty. We hope this will prove a useful resource to shareholders and will look to keep it updated regularly.

## Performance

The 10.5% rise in your Company's net asset value (NAV) for the year ended 31 December 2019 was in line with the MSCI All Countries Asia Pacific ex Japan High Dividend Yield Index's 10.6% gain over the same period but behind the 14.9% return on the MSCI All Countries Asia Pacific ex Japan Index. The share price rose by 14.2% on a total return basis to 214.0p, narrowing the discount to 5.8% of the NAV per Ordinary Share. Your Company's robust performance can be attributed to your Investment Manager's astute approach in selecting high-dividend yielding stocks with robust balance sheets and well defined ESG frameworks, which is covered in more detail in the upcoming Investment Manager's review. Your Investment Manager's focus on steady income generation for your Company has resulted in an increase in dividend per share for investors for the 11<sup>th</sup> consecutive year.



Looking at stock markets more broadly, the year's performance was led by low-yielding stocks, primarily in the technology and internet spheres, leading to a rise in the benchmark MSCI All Countries Asia Pacific ex Japan Index of 14.9%. Despite the focus

## Chairman's Statement Continued

on income, our portfolio has also invested in technology stocks, where future growth trends are coupled with an attractive shareholder returns policy. Furthermore, while we have no exposure to the nil-yielding Chinese internet giant Alibaba, we have been steadily increasing our exposure to China, through our holdings in the insurance sector via Ping An, and property via China Resources Land, both stocks supporting healthy dividends.

The Investment Manager's Review will provide greater detail with regard to your Company's performance and portfolio, but there is one particular event I would like to point out. This involves your Company's longstanding investment in the high-yield bonds of G3 Exploration, a coalbed methane gas explorer and producer in China. The bonds ceased paying their coupon two years ago, and your Investment Manager has prudently not accrued any interest due in that time, while also reflecting the decline in the bond's market value as a consequence. During the year, it became more evident that the firm was finding it harder to realise its assets than had been promised. Hence, your Investment Manager marked down the value of the bonds further, to a level substantially below the previously traded price. Subsequent to that initial markdown, joint provisional liquidators were appointed to G3 Exploration, and your Investment Manager conservatively decided to value the bonds at zero as of the end of the period. The total write-down during the year was £4.4 million, which equates to 2.5p per share as at year's end. Your Investment Manager is working hard with the liquidators and other institutional investors to ensure that your Company's assets achieve their fullest possible value, and thereby recover some, if not all, of what your Company is due. I firmly believe that it was only wise to have taken this course of action. This is a particularly pertinent issue at this time coming in the wake of the Woodford Investment Management issues that have highlighted the importance of transparency and liquidity. It is worth noting that Aberdeen Asian Income Fund is a closed end vehicle, individual stock liquidity is monitored on a regular basis and there are no unlisted holdings in this Company.

### Dividends

Four quarterly dividends were declared over 2019. The first three were paid at the rate of 2.25p with the fourth interim at 2.5p for the year, representing an increase in total dividends from 9.15p to 9.25p for the year. This increase maintains the trend that has been established over the last 11 years and means that the Company continues to be a "next generation dividend hero" as recognised by the Association of Investment Companies ("AIC"), having raised dividends for at least 10 years. The Directors have recently declared a maintained first interim dividend in respect of

the year ending 31 December 2020 of 2.25p per share which will be payable on 22 May 2020 to Ordinary shareholders on the register on 24 April 2020. The level of the remaining three dividends for 2020 will be considered at each quarter end, at which point an announcement will be made by the Company.

Based upon the Ordinary Share price of 214.0p the shares were yielding 4.3% at year end. In the year to 31 December 2019, about £0.3 million has been transferred to the Company's revenue reserves after deducting the payment of the fourth interim dividend. The net revenue reserve amounts to £11.0 million (about 6.2p per Share) and any decision as to whether this will be utilised in 2020 (and by how much) will be taken at the time of each of the remaining quarterly dividend declarations.

### The net revenue reserve amounts to £11.0 million (about 6.2p per Share)

These reserves have been deliberately accumulated over the past decade and I am pleased to say that they cover two thirds of the annual dividend payment. Whilst we have not yet needed to use these reserves, it provides an added level of comfort to your Company's ability to pay dividends as Covid-19 impacts revenues and earnings across Asia. Significant movements in the value of sterling may also impact the level of earnings from the portfolio as the Company earns dividends in local Asian currencies and pays out its dividend to shareholders in sterling. The Board is conscious of the ongoing demand for yield and will continue to aim to reward shareholders when possible to do so. We are proud to have maintained a progressive policy despite the various economic, political and currency fluctuation risks seen both in Asia and in the UK since your Company's inception.



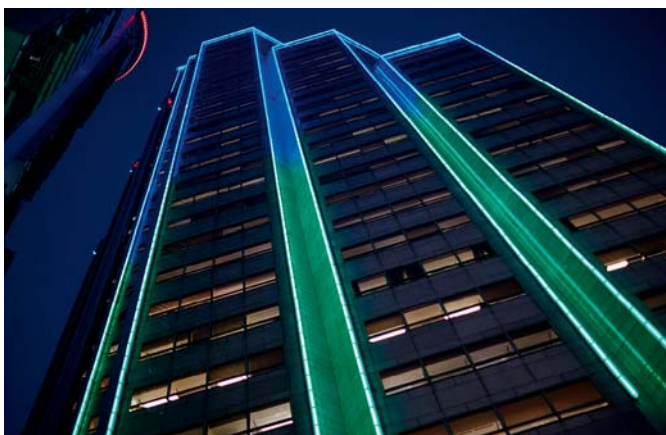
### Share Capital Management

In line with the Board's policy to buy back shares when the discount at which the Company's shares trade exceeds 5% to the underlying NAV exclusive of income, the Company has continued to buy back its shares for treasury. During the year the Company bought back 1,038,713 shares for treasury at a discount. Subsequent to the year end we have continued to buy back shares and a total of 582,285 further shares have been acquired. These buybacks are accretive to the Company's NAV and benefit all shareholders. The Company will continue selectively to buy back shares in the market, in normal market conditions and at the discretion of the Board, when the discount exceeds 5% of the NAV (ex income) over the longer term. During the year the level of discount at which the Ordinary shares traded has tightened from 8.5% to 5.8%. At the time of writing the Ordinary Shares are trading at a discount of 12.2% to the prevailing NAV.

### Gearing

At the year end the Company had an unsecured three year £40 million revolving loan facility with Scotiabank and a fully drawn three year £10 million term facility with Scotiabank Europe. The Company's total gearing at the year-end amounted to the equivalent of £36.0 million representing net gearing of 8.1% (2018 – 8.9%). Net gearing is normally within the range of 2% to 10% and the Directors expect to maintain this approximate range in the future.

On 9 April 2020 the Company confirmed that it had renewed the £40 million revolving credit facility with Scotiabank for one year. HKD212.5 million and US\$ 7.16m (equivalent to approximately £27.9m) has been drawn down under the facility at all-in rates of 3.14% and 2.21% respectively.



### Ongoing Charges Ratio ("OCR")

I wrote last year that the Board will continue to keep all costs under careful review in the future and the Board remains focussed upon delivering value to shareholders and regularly reviews the OCR. It is pleasing to note that the OCR has fallen from 1.11% to 1.08% during the year reflecting in part this emphasis on cost control. As part of a review of costs, the Board has negotiated a reduction in the level of the investment management fee payable to the Investment Manager. With effect from 1 January 2020, the company secretarial fee has been removed and the management fee will be calculated on the following new tiered basis:

- (i) Average Value up to £350m – 0.85% per annum; and
- (ii) Average Value in excess of £350m – 0.65% per annum.

The Management Fee is calculated and accrued on a monthly basis (being 1/12<sup>th</sup> of the value resulting from the sum of (i) plus (ii) above) and shall be payable quarterly in arrears. This reduction in the level of management fee should flow through to a reduction in the OCR in future years all things being equal. The Directors will continue to review the Company's expenses closely to ensure that they are in line with the market. On an annualised basis and using the year end net asset value, the reductions discussed above would reduce costs by approximately £241,000.

### AGM

On 30 March 2020, the Government of Jersey implemented new measures to manage the Covid-19 pandemic in Jersey that, among other things, restricted public gatherings to no more than two people and required that leaving one's home should only be for essential purposes. These largely reflected the Stay at Home measures implemented by the UK Government on 26 March 2020 in the UK. Since then, the Government of Jersey has established a Safe Exit Framework and there has been some relaxation of the Stay at Home Measures with Islanders now permitted outside their homes for a maximum of six hours a day where they may meet with five people who are not from their household. Travel to the Island of Jersey is extremely restricted and quarantine requirements are imposed. It is unclear how long these restrictions will be in place and when any further relaxation of measures will occur. The safety, security and health of the Company's shareholders, their guests and our advisers, including the Manager and Investment Manager's personnel, is of paramount importance to the Board. Accordingly, in view of the Government of Jersey's Stay at Home measures, this year the Board has decided not to hold the Company's AGM in May and instead hold the AGM in July.



## Chairman's Statement Continued

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Therefore this year your Company's AGM will be held at 10:30 a.m. on 22 July 2020 at the Company's registered office, 1<sup>st</sup> Floor, Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey, JE2 3QB.

Should the Stay at Home measures remain in place in July, Shareholders are strongly discouraged from attending the meeting and indeed entry may be refused if Government of Jersey guidance so requires. Arrangements will be made by the Company to ensure that a minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed.

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**We always welcome questions from our Shareholders at the AGM but this year, given the format and the prevailing circumstances, we would ask Shareholders to submit their questions to the Board prior to the meeting**

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As there is a strong possibility that Shareholders may not be able to attend the AGM in person, where possible, I would encourage you, in advance of the AGM, to lodge your vote either electronically via the registrar's online portal at [signalshares.com](https://signalshares.com) or by completion and return of a proxy (for direct shareholders) or a letter of direction (for Aberdeen Standard Investment Plan Participants).

The situation in relation to Covid-19 continues to evolve and the Company will update Shareholders on any changes to the above arrangements for the AGM through its website at [www.asian-income.co.uk](https://www.asian-income.co.uk). Shareholders are advised to check the Company's website for updates. We trust that Shareholders will be understanding and supportive of this approach.

We always welcome questions from our Shareholders at the AGM but this year, given the format and the prevailing circumstances, we would ask Shareholders to submit their questions to the Board prior to the meeting. The Board and/or Investment Manager will respond to all such questions received either before or after the AGM. You may submit questions to the Board and Investment Manager in advance by e-mail to [Asian.Income@aberdeenstandard.com](mailto:Asian.Income@aberdeenstandard.com).

The proposed resolutions are explained fully in the Directors' Report on pages 52 to 54.

### Audit Tender

In accordance with best practice, during the year the Audit Committee conducted a tender for independent audit services. Following a detailed review process, culminating in interviews with a shortlist of candidate firms, the Board was pleased to accept the recommendation of the Audit Committee to appoint KPMG Channel Islands Limited as independent auditor.

### Directorate and Succession Planning

The Directors are aware that the Company suffers withholding tax on certain dividends which might not arise if it was tax resident in the UK rather than Jersey. The Directors continue to monitor the situation whilst the UK's post-Brexit negotiations are conducted, but would only consult stakeholders about the possibility of a change of tax residence if there was evidence of it producing a material and enduring net benefit. As the composition of the Board would be influenced by the Company's tax residence and given the market uncertainty as a result of the Covid-19 pandemic, the Directors have decided to extend my term as Chairman one year beyond the ninth anniversary of my appointment as a Director, to allow for the appropriate Board succession to be determined.

### Environmental, Social and Governance ("ESG") Investing

The Board remains very conscious of the need for balance between the pursuit of performance and the positive broader impact of investing with ESG goals in mind. To this end the Board has engaged extensively with the management team and has met with the relevant ESG teams in Singapore during its most recent annual Board trip to the Far East. The Directors will continue to engage positively with the Investment Manager to provide support and encouragement to the team in the knowledge that companies with good ESG practices will be the winners over the longer term. Further details of the work undertaken, including case studies, are provided on pages 40 and 41.

### Outlook

The outbreak of the Covid-19 pandemic proves once more that uncertainty is often just around the corner. Covid-19 has now rapidly spread worldwide and panic and fear have driven markets down whilst travel bans and lockdowns have had serious implications for tourism, travel and consumption-related companies.

My fellow Directors and I are aware of the significant challenges faced by all countries due to the pandemic. Contrary to what has been experienced in Europe, most Asian governments have not intervened on dividend policies in the private sector space. The bulk of your Company's holdings have calendar year ends and the final dividends have already been declared. The concern now is for dividend decisions for the year ahead which naturally vary from business to business although the risk is clearly to the downside.

Financials stands out as a vulnerable sector in this respect, especially key banking institutions as seen in the UK. By geography, Australia, an important Asia-Pacific dividend market, is likely to face downward pressure on dividends to conserve balance sheets and we have already witnessed a slew of pre-emptive equity raisings in this market.

**I remain confident that your Investment Manager's unwavering focus on picking high-quality companies with solid financials, experienced management and conservative investment strategies will continue to benefit the Company**

Notwithstanding these headwinds, the fact that governments and central banks in Asia show commitment in maintaining a supportive policy environment is reassuring. Strict measures imposed early on have seen China begin to emerge from its peak infection curve level with a gradual re-opening of factories and retail shops, which offers hope for the rest of the world. In the meantime, I remain confident that your Investment Manager's unwavering focus on picking high-quality companies with solid financials, experienced management and conservative investment strategies will continue to benefit the Company.

These businesses are less likely to need to rely on bank borrowings and have a greater ability to stand on their own feet to weather the storm. The high volatility seen in Asian equity markets has created opportunities to buy defensive stocks at cheaper prices which will ultimately benefit from the underlying growth in Asia over a longer time horizon. Furthermore, your Company's revenue reserves, which have been accumulated over the past decade for precisely this reason, play an important role in smoothing out the income stream for shareholders in extraordinary market circumstances.

**Charles Clarke,**  
**Chairman**  
14 May 2020

# Investment Manager's Review

Yoojeong Oh,  
Aberdeen Standard  
Investments (Asia)  
Limited



## Q: How did Aberdeen Asian Income Fund perform in 2019?

A. The Company returned a positive 10.5% in Sterling NAV terms (total returns) over the year coupled with a dividend yield of 4.3%. As a fellow investor in the Company, this return was particularly pleasing during a time when markets were driven by rising risk appetite on hopes of softening trade tensions and stimulus measures. Although our quality and income-focused investment style was not in favour last year, the portfolio holdings were able to capture some of the growth rally while maintaining an attractive payout for shareholders. The Company has declared an 11<sup>th</sup> consecutive year of dividend increase, which has been wholly paid out of the dividend collected from the underlying stocks. The higher return comes despite the British pound strengthening against Asian currencies towards the end of the year as fears of a hard Brexit receded.

## Q: Which stocks were the top contributors to performance?

A. Our top five stocks in 2019 were a combination of technology companies and businesses that rely on Chinese consumption growth.

The Asian technology sector has a long tail of companies and we have been able to add value by picking the industry leaders which can outperform over the business cycle thanks to their scale advantages. Taiwan-based **TSMC** is the world's largest foundry, producing the raw material that feeds into the memory chip industry where **Samsung Electronics** enjoys the lion's share of the global market. Thanks to continued investments to stay at the forefront of new technology, both companies generate strong free cash flows and boast significant cash piles which are supportive of shareholder distributions. Looking forward, we expect both TSMC and Samsung Electronics to benefit from demand growth coming from the roll-out of 5G networks globally, artificial intelligence and cloud computing.

Although China's growth has moderated from prior levels, the government's effort to prop up the economy provided downside protection to equities. **Yum China**, **Rio Tinto** and **China Resources Land** were all beneficiaries of Chinese consumption, providing exposure across industrial production and consumer spending on the mainland. As you can see, not all of these companies are listed on the Chinese stock exchange but their share prices are nonetheless driven by the health of the Chinese economy. As volatility looks set to persist into 2020 with subsequent phases of the trade agreement to be hammered out and consumers curtailed by Covid-19, we will continue to monitor the markets and make use of any valuation opportunities that uncertainty throws up for the patient investor.

## Q: Which stocks performed the worst?

A. As central banks across Asia acted alongside global peers to ease monetary policy and support domestic growth, the lower interest-rate environment reduced profit margins for the banking sector. This was particularly true for the international banks that had to reprice loans at a lower level and manage a reduction in trade flows across the region. Both **HSBC** and Singapore's **OCBC** are in the top 10 largest positions within the portfolio and have been detractors over the year. With well-capitalised balance sheets, both banks have been among the top dividend payers for the Company historically. Unfortunately, the banking sector has been particularly affected by the Covid-19 pandemic as one of the key conduits of government policy to the real economy. We have seen regulatory intervention on banks' dividend decisions in the UK and the US, and similar discussions were underway in Australia at the time of writing. The temporary dividend holiday enforced on UK banks is very different to a dividend cut driven by financial distress, overleveraged balance sheets or poor quality management.

**LG Chem** shares performed below our expectations as the company implemented protective measures to counter and prevent future safety issues on its large-scale energy storage batteries. This is an important step ahead of its overseas expansion plans to benefit from the growing regulatory trend for alternative energy sources that require storage solutions. Furthermore, we believe that electric vehicle production is fast approaching a tipping point that bodes well for LG Chem's EV batteries business, which is used by global car manufacturers including GM, Ford and Volkswagen.



Elsewhere, we have been reducing our position in **Giordano** throughout the year as we believe the dividend yield will not be sustainable against the backdrop of a challenging Hong Kong retail environment. As indicated by the Chairman in his statement on page 8, we have also prudently impaired our

holding in **G3 Exploration** bonds to reflect the complex nature of the sales process required to obtain a fair value for the underlying coalbed methane gas assets. We are working with the joint provisional liquidators and other institutional investors to recover the fullest possible value for these producing assets.



## Q: How do we pick stocks for the portfolio?

**A.** Our investment philosophy is to find good quality companies that offer both capital growth and an attractive dividend story over the long term. We have a team of more than 40 analysts based on the ground across Asia meeting companies and uncovering often-mispriced opportunities. Our in-house investment process based on fundamental analysis enables us to identify businesses that are easy to understand, with a clear earnings growth trajectory that underpins the sustainability of their dividends. Our holdings are typically industry leaders with

strong balance sheets and a focus on profitability that stems from their competitive advantage on factors including, but not limited to, costs, brands, distribution, supply chain or knowhow. Through this bottom-up stock selection process, we have constructed a diversified portfolio that shows lower gearing and higher returns compared to the Asian benchmark, whilst still providing exposure to longer term growth trends.

For example, we identified electric vehicles as a critical component of the global shift away from fossil fueled internal combustion engines as the predominant driver of transportation. As electric vehicles were still only a small proportion of vehicle fleet production for the large OEMs, we began to look further up

## Investment Manager's Review Continued

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the supply chain to find key component suppliers which would be core to the electrification of transport globally. Two years ago we initiated a position in **LG Chem**, a Korean company with a cash cow chemicals business that had steadily invested in large battery technology to be a one of the leaders in batteries for power storage and electric vehicles globally. Our due diligence on the company included discussions around LG Chem's Environmental, Social and Governance (ESG) frameworks and its efforts over time to advocate international environmental and safety standards within its own operations as well as to raise standards through its supply chain. At the time of writing, LG Chem is investigating the cause of a gas leak at its subsidiary plant in India and the remedial measures necessary with all stakeholders, which includes the local community. LG Chem's actions and communication efforts on the social and environmental impact have been quick and open, and we are in active engagement with the company.

Our presence in the region for over 25 years has enabled us to build a cumulative understanding of corporate management in Asia. Over this time we have developed and enhanced our ESG framework to reflect emerging themes that impact our holdings on a financial basis.

### Q: What have been the most significant portfolio changes in 2019?

**A.** Australia and Singapore are the highest dividend paying markets, which explains why we have chosen to have our highest exposures to these markets. However, we are increasingly finding new companies in faster growth countries and sectors which are improving their shareholder returns policies and offering attractive total returns. A natural result has been to reduce our positions in Australia and Singapore in order to fund these new ideas. We sold down our Australian banks holdings following a strong first half share-price performance as valuations looked stretched heading into a lower rate environment. We also exited **Hong Leong Finance**, a mid-sized bank in Singapore, given that the fund already owns the three large Singapore banks that offer better returns and higher dividend yields.

We also initiated **Ascendas India Trust**, which owns a portfolio of business parks and logistics properties across India. The Trust itself is listed in Singapore which offers cheaper financing for property transactions and better disclosures for investors. Rental growth is well supported as its quality assets have attracted a diversified range of tenants with an end-customer skew towards IT services – a sector that continues to generate attractive growth and employment opportunities. This provides a good dividend yield for shareholders as well as opportunity for further capital appreciation alongside Ascendas India Trust's property pipeline. We believe there is further mileage over the longer term from their expansion into the modern warehouse sector, property acquisitions and positive rental reversions, which is supportive of shareholder returns in the future.

### Q: Why is everyone talking about ESG?

**A.** Growing global concerns about ESG issues have propelled ESG from the fringes of the asset management industry to its mainstream. As long-term investors, we have long held the belief that ESG information and analysis should be explicitly embedded into our due diligence and portfolio construction process. In our opinion, ESG assessment and integration enhances returns as corporates with robust ESG practices tend to enjoy long term financial benefits. Informed and constructive engagement helps foster better corporate practices, protecting and enhancing the value of your Company's investments.

We actively engage with your Company's holdings to share and encourage better governance practices. This includes discussions around AGM agenda items as we instruct all proxy votes across all holdings within the portfolio as well as targeted engagements on specific issues. Last year, for example, we spoke to the management of **Yum China**, which operates restaurant chains across China, about various supply chain issues around food and packaging quality. The company has since blacklisted suppliers known to be engaged in illegal deforestation and remains receptive to shareholder feedback that promotes further ESG improvements.

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## Q: What is the outlook for dividends in Asia?

**A.** The sharp rally in growth stocks over the past year has resulted in quality and income stocks underperforming the broader market. This means that good quality dividend-paying companies are trading at relatively attractive levels, providing us with an opportunity to add to the portfolio at compelling valuations.

However, no one could have prepared for the Covid-19 pandemic and its far reaching repercussions across the world. As manufacturing closures and sweeping lock down measures feed through to lower revenues and profits, companies are facing the difficult decision of whether to pay or not pay dividends. In normal circumstances, a dividend cut is considered a negative signal that reflects poorly on capital management and treatment of minority shareholders. However, we are far from normal today and the decision to not pay dividends can help pay wages and protect the balance sheet from what could still be a long and arduous journey.

We have already seen a reduction in travel and leisure activities and if the spread of Covid-19 is not contained, companies could take a more prudent approach to new capital expenditures and increasingly hoard cash on the balance sheet which could have a further negative effect on growth and dividends. Global mobility restrictions are forcing companies to postpone Annual General Meetings (AGMs) to comply with quarantine laws. AGMs are where shareholders vote to approve dividends so this is having a knock on effect which will shift dividend collection in 2020 towards the latter end of the year.

Although nobody can accurately predict when the world will return to normal, what remains consistent is our investment philosophy that targets sustainable growth, both in capital and in dividends, over the long term. Our holdings are cash-generative businesses with exposure to structural growth trends and strong financial positions that give us confidence that they can stay resilient if conditions deteriorate.

**Aberdeen Standard Investments (Asia) Limited,  
Investment Manager**  
14 May 2020





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# Strategic Report

The Company is registered with limited liability in Jersey as a closed-end investment company. It aims to attract long term private and institutional investors wanting to benefit from the growth prospects of Asian companies including those with above average dividend yields.

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# Overview of Strategy

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Launched in December 2005, Aberdeen Asian Income Fund Limited (the “Company”) is registered with limited liability in Jersey as a closed-end investment company under the Companies (Jersey) Law 1991 with registered number 91671. The Company's Ordinary Shares are listed on the premium segment of the London Stock Exchange.

## Investment Objective

To provide investors with a total return primarily through investing in Asia Pacific securities, including those with an above average yield. Within its overall investment objective, the Company aims to grow its dividends over time.

## Business Model

The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of Asian companies including those with above average dividend yields.

The business of the Company is that of an investment company and the Directors do not envisage any change in this activity in the foreseeable future.

## Investment Policy

### Asset Allocation

The Company primarily invests in the Asia Pacific region through investment in:

- companies listed on stock exchanges in the Asia Pacific region;
- Asia Pacific securities, such as global depositary receipts (GDRs), listed on other international stock exchanges;
- companies listed on other international exchanges that derive significant revenues or profits from the Asia Pacific region; and
- debt issued by governments or companies in the Asia Pacific region or denominated in Asia Pacific currencies.

The Company's investment policy is flexible, enabling it to invest in all types of securities, including equity shares, preference shares, debt, convertible securities, warrants and other equity-related securities. The Company is free to invest in any market segments or any countries in the Asia Pacific region. The Company may use derivatives to enhance income generation.

The Company invests in small, mid and large capitalisation companies. The Company's policy is not to acquire securities that are unquoted or unlisted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be quoted or listed if the Investment Manager considers this to be appropriate. Although it has not done so since the launch of the Company, it may enter into stock lending contracts and intends to undertake limited stock lending activity in 2020.

Typically, the portfolio will comprise of between 40 and 70 holdings (but without restricting the Company from holding a more or less concentrated portfolio in the future).

### Risk Diversification

The Company will not invest more than 10%, in aggregate, of the value of its Total Assets in investment trusts or investment companies admitted to the Official List, provided that this restriction does not apply to investments in any such investment trusts or investment companies which themselves have stated investment policies to invest no more than 15% of their Total Assets in other investment trusts or investment companies admitted to the Official List. In any event, the Company will not invest more than 15% of its Total Assets in other investment trusts or investment companies admitted to the Official List.

In addition, the Company will not:

- invest, either directly or indirectly, or lend more than 20% of its Total Assets to any single underlying issuer (including the underlying issuer's subsidiaries or affiliates), provided that this restriction does not apply to cash deposits awaiting investment;
  - invest more than 20% of its Total Assets in other collective investment undertakings (open-ended or closed-ended);
  - expose more than 20% of its Total Assets to the creditworthiness or solvency of any one counterparty (including the counterparty's subsidiaries or affiliates);
-



- invest in physical commodities;
- take legal or management control of any of its investee companies; or
- conduct any significant trading activity.

The Company may invest in derivatives, financial instruments, money market instruments and currencies for investment purposes (including the writing of put and call options for non speculative purposes to enhance investment returns) as well as for the purpose of efficient portfolio management (i.e. for the purpose of reducing, transferring or eliminating investment risk in the Company's investments, including any technique or instrument used to provide protection against foreign exchange and credit risks). For the avoidance of doubt, in line with the risk parameters outlined above, any investment in derivative securities will be covered.

The Investment Manager expects the Company's assets will normally be fully invested. However, during periods in which changes in economic conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its position in cash and money market instruments.

#### **Gearing Policy**

The Board is responsible for determining the gearing strategy for the Company. The Board has restricted the maximum level of gearing to 25% of net assets although, in normal market conditions, the Company is unlikely to take out gearing in excess of 15% of net assets. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where this is considered appropriate. Borrowings are generally short term, but the Board may from time to time take out longer term borrowings where it is believed to be in the Company's best interests to do so. Particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy.

The percentage investment and gearing limits set out under this sub-heading "Investment Policy" are only applied at the time that the relevant investment is made or borrowing is incurred. In the event of any breach of the Company's investment policy, shareholders will be informed of the actions to be taken by the Investment Manager by an announcement issued through a Regulatory Information Service or a notice sent to shareholders at their registered addresses.

The Company may only make material changes to its investment policy (including the level of gearing set by the Board) with the approval of shareholders (in the form of an ordinary resolution). In addition, any changes to the Company's investment objective or policy will require the prior approval of the Financial Conduct Authority as well as prior consent of the Jersey Financial Services Commission ("JFSC") to the extent that the changes materially affect the import of the information previously supplied in connection with its approval under Jersey Funds Law or are contrary to the terms of the Jersey Collective Investment Funds laws.

#### **Duration**

The Company does not have a fixed life.

#### **Comparative Indices**

The Company's portfolio is constructed without reference to any stockmarket index. It is likely, therefore, that there will be periods when the Company's performance will be quite unlike that of any index and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage. The Company compares its performance against the currency-adjusted MSCI AC Asia Pacific (ex Japan) Index and the currency-adjusted MSCI AC Asia Pacific (ex Japan) High Dividend Yield Index.

#### **Promoting the Company's Success**

In accordance with corporate governance best practice, the Board is now required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year following the guidelines set out in the UK under section 172 (1) of the Companies Act 2006 (the "s172 Statement"). This Statement, from 'Promoting the Success of the Company' to "Long Term Investment" on page 21, provides an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment.

## Overview of Strategy Continued

The purpose of the Company is to act as a vehicle to provide, over time, financial returns (both income and capital) to its shareholders. The Company's Investment Objective is disclosed on page 18. The activities of the Company are overseen by the Board of Directors of the Company.

The Board's philosophy is that the Company should operate in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike. The Board reviews the culture and manner in which the Manager operates at its regular meetings and receives regular reporting and feedback from the other key service providers.

Investment trusts, such as the Company, are long-term investment vehicles, with a recommended holding period of five or more years. Typically, investment trusts are externally managed, have no employees, and are overseen by an independent non-executive board of directors. Your Company's Board of Directors sets the investment mandate, monitors the performance of all service providers (including the Manager) and is responsible for reviewing strategy on a regular basis. All this is done with the aim of preserving and, indeed, enhancing shareholder value over the longer term.

### Shareholder Engagement

The following table describes some of the ways we engage with our shareholders:

<b>AGM</b>	The AGM provides an opportunity for the Directors to engage with shareholders, answer their questions and meet them informally. The next AGM will take place on 22 July 2020 in Jersey. We encourage shareholders to lodge their vote by proxy on all the resolutions put forward.
<b>Annual Report</b>	We publish a full annual report each year that contains a strategic report, governance section, financial statements and additional information. The report is available online and in paper format.
<b>Company Announcements</b>	We issue announcements for all substantive news relating to the Company. You can find these announcements on the website.
<b>Results Announcements</b>	We release a full set of financial results at the half year and full year stage. Updated net asset value figures are announced on a daily basis.
<b>Monthly Factsheets</b>	The Manager publishes monthly factsheets on the Company's website including commentary on portfolio and market performance.
<b>Website</b>	Our website contains a range of information on the Company and includes a full monthly portfolio listing of our investments as well as podcasts by the Investment Manager. Details of financial results, the investment process and Investment Manager together with Company announcements and contact details can be found here: <a href="http://asian-income.co.uk">asian-income.co.uk</a>
<b>Investor Relations</b>	The Company subscribes to the Manager's Investor Relations programme (further details are on page 24).

### Other Service Providers

The other key stakeholder group is that of the Company's third party service providers. The Board is responsible for selecting the most appropriate outsourced service providers and monitoring the relationships with these suppliers regularly in order to ensure a constructive working relationship. Our service providers look to the Company to provide them with a clear understanding of the Company's needs in order that those requirements can be delivered efficiently and fairly. The Board, via the Management Engagement Committee, ensures that the arrangements with service providers are reviewed at least annually in detail. The aim is to ensure that contractual arrangements remain in line with best practice, services being offered meet the requirements and needs of the Company and performance is in line with the expectations of the Board, Manager, Investment Manager and other relevant stakeholders. Reviews include those of the Company's depositary and custodian, share registrar, broker and auditor.

### Principal Decisions

Pursuant to the Board's aim of promoting the long term success of the Company, the following principal decisions have been taken during the year:

**Portfolio** The Investment Manager's Review on pages 12 to 15 details the key investment decisions taken during the year and subsequently. The Investment Manager has continued to monitor the investment portfolio throughout the year under the supervision of the Board. A list of the key portfolio changes can be found on page 14.

**Gearing** The Company utilises gearing in the form of bank debt with the aim of enhancing shareholder returns over the longer term. Subsequent to the year end, the Board has renewed the £40m revolving credit facility for a further 12 month period maturing in April 2021.

**Share Buybacks** During the year, the Board has continued to buy back Ordinary shares opportunistically in order to manage the discount by providing liquidity to the market.

**ESG** As highlighted on pages 40 and 41, the Board is responsible for overseeing the work of the Investment Manager and this is not limited solely to the investment performance of the portfolio companies. The Board also has regard for environmental, social and governance matters that subsist within the portfolio companies. The Board has conducted regular meetings and met with the Investment Manager's ESG team in Singapore in order to discuss the Manager's principles and policies. The Board is supportive of the Investment Manager's pro-active approach to ESG engagement.

**Audit** In accordance with best practice the Audit Committee conducted an audit tender to select a new independent auditor. Having established the needs of the Company, a number of audit firms were invited to tender. Following a detailed review and interview process, KPMG Channel Islands Limited was selected and the new independent auditor's appointment was approved by shareholders at the Annual General Meeting in May 2019.

### Long Term Investment

The Investment Manager's investment process seeks to outperform over the longer term. The Board has in place the necessary procedures and processes to continue to promote the long term success of the Company. The Board will continue to monitor, evaluate and seek to improve these processes as the Company continues to grow over time, to ensure that the investment proposition is delivered to shareholders and other stakeholders in line with their expectations.

## Overview of Strategy Continued

### Key Performance Indicators (KPIs)

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and determine the progress of the Company in pursuing its investment policy. The main KPIs identified by the Board in relation to the Company which are considered at each Board meeting are as follows:

KPI	Description
<b>Dividend Payments per Ordinary Share</b>	The Board aims to grow the Company's dividends over time. Dividends paid over the past 10 years are set out on page 26.
<b>Performance and NAV</b>	The Board considers the Company's NAV total return figures to be the best indicator of performance over time and these are therefore the main indicators of performance used by the Board. A graph showing the total NAV return against the MSCI AC Asia Pac. (ex Japan) Index and the MSCI AC Asia Pac. (ex Japan) High Dividend Yield Index is shown on page 27.
<b>Performance against Indices</b>	The Board measures Share Price and NAV performance against the MSCI AC Asia Pac. (ex Japan) Index and the MSCI AC Asia Pac. (ex Japan) High Dividend Yield Index on a total return basis. Graphs showing performance are shown on page 27. The Board also monitors performance relative to competitor investment companies over a range of time periods, taking into consideration the differing investment policies and objectives of those companies. The Board measures performance over a time horizon of at least five years.
<b>Discount/Premium to NAV</b>	The discount/premium relative to the NAV per share represented by the share price is closely monitored by the Board. The objective is to maintain the price at which the Ordinary Shares trade relative to the exclusive of current period income NAV at a discount of no more than 5% as well as to avoid large fluctuations in the discount/premium relative to similar investment companies investing in the region by the use of share buy backs or the issuance of new shares, subject to market conditions. A graph showing the share price premium/(discount) relative to the NAV is also shown on page 27.
<b>Ongoing Charges Ratio</b>	The Board monitors the Company's operating costs carefully. Ongoing charges for the year and previous year are disclosed on page 4.
<b>Gearing</b>	The Board ensures that gearing is kept within the Board's guidelines to the Manager.

### Risk Management

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has undertaken a robust review of the principal risks and uncertainties facing the Company including those that would threaten its business model, future performance, solvency or liquidity. Those principal risks are disclosed in the table below together with a description of the mitigating actions taken by the Board. The principal risks associated with an investment in the Company's Shares are published monthly on the Company's factsheet or they can be found in the pre-investment disclosure document published by the Manager, both of which are available on the Company's website.

The Board reviews the risks and uncertainties faced by the Company in the form of a risk matrix and heat map at its Audit Committee meetings and a summary of the principal risks are set out below. The Board also has a process to consider emerging risks and if any of these are deemed to be significant these risks are categorised, rated and added to the risk matrix. Although the uncertainty surrounding the timing of Brexit has now abated, economic risk for the Company remains, in particular currency volatility may adversely affect the translation rates of future earnings from the portfolio following the expiry of the transitional arrangements in January 2021.

The Board notes that there are a number of contingent risks stemming from the Covid-19 pandemic that may impact the operation of the Company. These include investment risks surrounding the companies in the portfolio such as employee absence, reduced demand, reduced turnover and supply chain breakdowns. The Investment Manager will continue to review carefully the composition of the Company's portfolio and to be pro-active in taking investment decisions where necessary. Operationally, Covid-19 is also affecting the suppliers of services to the Company including the Manager, Investment Manager and other key third parties. To date these services have continued to be supplied seamlessly and the Board will continue to monitor arrangements in the form of regular updates from the Manager and Investment Manager.

In all other respects, the Company's principal risks and uncertainties have not changed materially since the date of this Annual Report and are not expected to change materially for the current financial year.

Description	Mitigating Action
<b>Investment strategy and objectives</b> – the setting of an unattractive strategic proposition to the market and the failure to adapt to changes in investor demand may lead to poor performance, the Company becoming unattractive to investors, a decreased demand for shares and a widening discount.	The Board keeps the investment objective and policy as well as the level of discount and/or premium at which the Company's Ordinary Shares trade under review. In particular there are periodic strategy discussions where the Board reviews the Investment Manager's investment processes, analyses the work of Aberdeen Standard Investments' promotional and investor relations teams and receives reports on the market from the Broker. In particular, the Board is updated at each Board meeting on the make up of and any movements in the shareholder register. Details of the Company's discount control mechanism are disclosed in the Directors' Report on page 53.
<b>Investment portfolio</b> , investment management – investing outside of the investment restrictions and guidelines set by the Board could result in poor performance and an inability to meet the Company's objectives or a regulatory breach.	The Board sets, and monitors, its investment restrictions and guidelines, and receives regular reports which include performance reporting on the implementation of the investment policy, the investment process and application of the Board guidelines. The Investment Manager is represented at all Board meetings.
<b>Financial obligations</b> - the ability of the Company to meet its financial obligations, or increasing the level of gearing, could result in the Company becoming over-g geared or unable to take advantage of potential opportunities and result in a loss of value to the Company's Ordinary Shares.	The Board sets a gearing limit and receives regular updates on the actual gearing levels the Company has reached from the Investment Manager together with the assets and liabilities of the Company and reviews these at each Board meeting.
<b>Financial and regulatory</b> – the financial risks associated with the portfolio could result in losses to the Company. In addition, failure to comply with relevant regulation (including Jersey Company Law, the Financial Services and Markets Act, The Packaged Retail and Insurance-based Investment Products (PRIIPS) Regulation, the Alternative Investment Fund Managers Directive, Accounting Standards and the FCA's Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules) may have an impact on the Company.	The financial risks associated with the Company include market risk, liquidity risk and credit risk, all of which are mitigated in conjunction with the Investment Manager. Further details of the steps taken to mitigate the financial risks associated with the portfolio are set out in note 18 to the financial statements. The Board relies upon the Standard Life Aberdeen Group to ensure the Company's compliance with applicable law and regulations and from time to time employs external advisers to advise on specific concerns.
<b>Operational</b> – the Company is dependent on third parties for the provision of all systems and services (in particular, those of the	The Board monitors operational risk and as such receives internal controls and risk management reports from the

## Overview of Strategy Continued

Standard Life Aberdeen Group) and any control failures and gaps in these systems and services could result in a loss or damage to the Company.

Investment Manager at each Board meeting. It also receives assurances from all its significant service providers, as well as back to back assurance from the Manager at least annually. The Board has also received regular and frequent updates on the implications for the Manager's and Investment Manager's operations of the Covid-19 pandemic. Further details of the internal controls which are in place are set out in the Directors' Report on pages 50 to 52.

**Income and dividend risk** - there is a risk that the portfolio could fail to generate sufficient income to meet the level of the annual dividend, thereby drawing upon, rather than replenishing, its revenue and/or capital reserves.

The Board monitors this risk through the review of income forecasts, provided by the Investment Manager, at each Board meeting.

### Promoting the Company

The Board recognises the importance of communicating the long-term attractions of the Company to prospective investors both for improving liquidity and enhancing the value and rating of the Company's Ordinary Shares. The Board believes an effective way to achieve this is through subscription to and participation in the promotional programme run by Aberdeen Standard Investments on behalf of a number of investment companies under its management. The Company also supports the Aberdeen Standard Investments investor relations programme which involves regional roadshows and promotional and public relations campaigns. The purpose of these initiatives is both to communicate effectively with existing shareholders and to gain new shareholders with the aim of improving liquidity and enhancing the value and rating of the Company's Shares. The Company's financial contribution to the programmes is matched by the Manager. The Group's marketing team reports quarterly to the Board giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make up of that register. The Company, through the Manager, has also commissioned independent paid-for research which has been undertaken by Edison Investment Research Limited and a copy of the latest research is available for download from the Company's website, [asian-income.co.uk](http://asian-income.co.uk).

### Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow the Board to fulfil its obligations. The Board also recognises the benefits, and is supportive, of the principle of diversity in its recruitment of new Board members, including diversity of thought, location and background. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. The Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment. At 31 December 2019, the Company did not have any employees and there were four male Directors and two female Directors on the Board. There are two Directors based in Singapore, two Directors based in Jersey and two Directors based in the UK.

### Environmental, Social and Human Rights Issues

The Company has no employees as management of the assets is delegated to Aberdeen Standard Capital International Limited and sub-delegation to Aberdeen Standard Investments (Asia) Limited. There are therefore no disclosures to be made in respect of employees.

Due to the nature of the Company's business, being a Company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company, therefore, is not required to make a slavery and human trafficking statement.

### Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from the operations of its business, nor does it have direct responsibility for any other emissions producing sources.



### Socially Responsible Investment Policy

The Company supports the UK's Stewardship Code, and seeks to play its role in supporting good stewardship of the companies in which it invests. While the delivery of stewardship activities has been delegated to the Manager, the Board acknowledges its role in setting the tone for the effective delivery of stewardship on the Company's behalf.

Further details on stewardship may be found on page 52.

### Viability Statement

The Company does not have a formal fixed period strategic plan but the Board formally considers risks and strategy at least annually. The Board considers the Company, with no fixed life, to be a long term investment vehicle, but for the purposes of this viability statement has decided that a period of three years is an appropriate period over which to report. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than three years. In assessing the viability of the Company over the review period the Directors have focussed upon the following factors:

- The principal risks detailed in the Strategic Report on pages 22 to 24;
- The ongoing relevance of the Company's investment objective in the current environment;
- The demand for the Company's Shares evidenced by the historical level of premium and/or discount;
- The level of income generated by the Company;
- Current market conditions caused by the global spread of the Covid-19;
- The liquidity of the Company's portfolio; and,
- The flexibility of the Company's £40m and £10m loan facilities maturing in March and April 2021, including the related covenants and the Company successfully renegotiating loan terms over this time horizon. In advance of their maturities and subject to market conditions at the time the Directors will aim to renegotiate the loan facilities. If this is not possible then the Company will repay the loans using cash raised from the sale of investments.

Accordingly, taking into account the Company's current position, the fact that the Company's investments are mostly liquid and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this Report. In making its assessment, the Board is also aware that there are other matters that could have an impact on the Company's prospects or viability in the future, including a greater than anticipated economic impact of the spread of Covid-19, economic shocks or significant stock market volatility caused by other factors, and changes in regulation or investor sentiment.

### Future

Many of the non-performance related trends likely to affect the Company in the future are common across all closed ended investment companies, such as the attractiveness of investment companies as investment vehicles, the increased focus on environmental, social and governance factors when making investment decisions, the impact of regulatory changes and the effects of changes to the pensions and savings market in the UK in recent years. These factors need to be viewed alongside the outlook for the Company, both generally and specifically, in relation to the portfolio. The Board's view on the general outlook for the Company can be found in my Chairman's Statement on pages 10 and 11 whilst the Investment Manager's views on the outlook for the portfolio are included on pages 14 and 15.

The longer term impact of the Covid-19 pandemic and the outcome of the UK Government's Brexit discussions with the European Union are both unclear at the time of writing and increased economic risks remain for the Company. These include currency volatility which may adversely affect the translation rates of future earnings from the portfolio and stock market volatility affecting valuations.

**Charles Clarke**

Chairman

14 May 2020

# Results

## Dividends

	Rate	xd date	Record date	Payment date
First interim 2019	2.25p	25 April 2019	26 April 2019	24 May 2019
Second interim 2019	2.25p	18 July 2019	19 July 2019	16 August 2019
Third interim 2019	2.25p	24 October 2019	25 October 2019	15 November 2019
Fourth interim 2019	2.50p	23 January 2020	24 January 2020	20 February 2020
<b>2019</b>	<b>9.25p</b>			
First interim 2018	2.25p	26 April 2018	27 April 2018	25 May 2018
Second interim 2018	2.25p	19 July 2018	20 July 2018	17 August 2018
Third interim 2018	2.25p	25 October 2018	26 October 2018	16 November 2018
Fourth interim 2018	2.40p	17 January 2019	18 January 2019	20 February 2019
<b>2018</b>	<b>9.15p</b>			

## Ten Year Financial Record

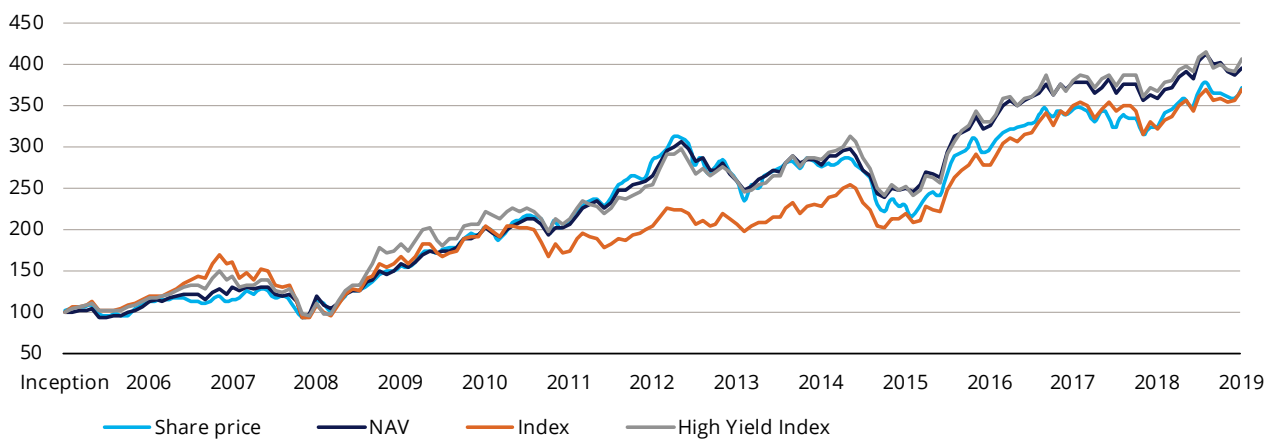
Year to 31 December	2010	2011	2012 <sup>A</sup>	2013	2014	2015	2016	2017	2018	2019
Total revenue (£'000)	10,285	11,878	15,052	18,736	19,333	21,216	20,947	21,758	21,056	20,996
Per Ordinary share (p)										
Revenue return	7.31	7.44	8.31	8.23	8.24	9.11	9.15	9.58	9.25	9.42
Total return	43.52	3.36	46.87	(6.69)	14.17	(18.86)	49.12	33.14	(13.17)	22.29
Dividends payable	6.00	6.75	7.15	7.90	8.00	8.50	8.75	9.00	9.15	9.25
Net asset value per Ordinary share (p)										
Basic	176.35	166.77	205.90	191.56	197.84	170.58	211.82	235.63	213.96	227.15
Diluted	167.85	164.78	203.92	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Equity shareholders' funds (£'000)	208,154	231,946	311,287	371,117	384,868	329,432	396,028	431,869	382,199	403,403

<sup>A</sup> At the 2012 year end there were 60,000,000 C shares in issue, with a net asset value of 102.80p per share. In the year to 31 December 2012 the net revenue return per C share was 0.32p and the total return per C shares was 4.34p. The C shares were converted into Ordinary shares on 4 February 2013.

# Performance

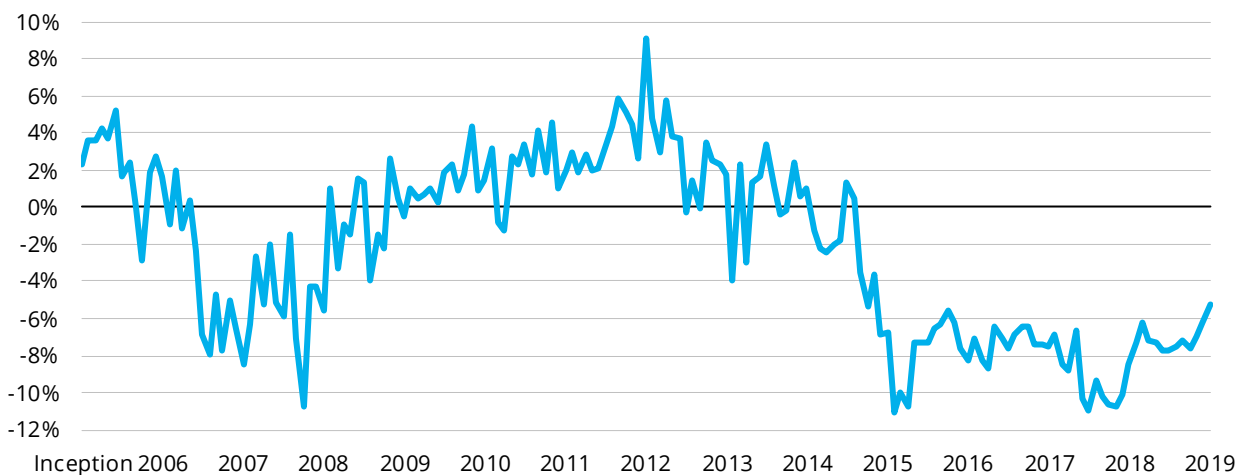
## Total Return of Ordinary Share Price and Ordinary Share NAV vs MSCI AC Asia Pacific ex Japan Index ("Index") and MSCI AC Asia Pacific ex Japan High Dividend Yield Index ("High Yield Index")

Launch (20 December 2005) to 31 December 2019 (rebased to 100 as at 20/12/05)



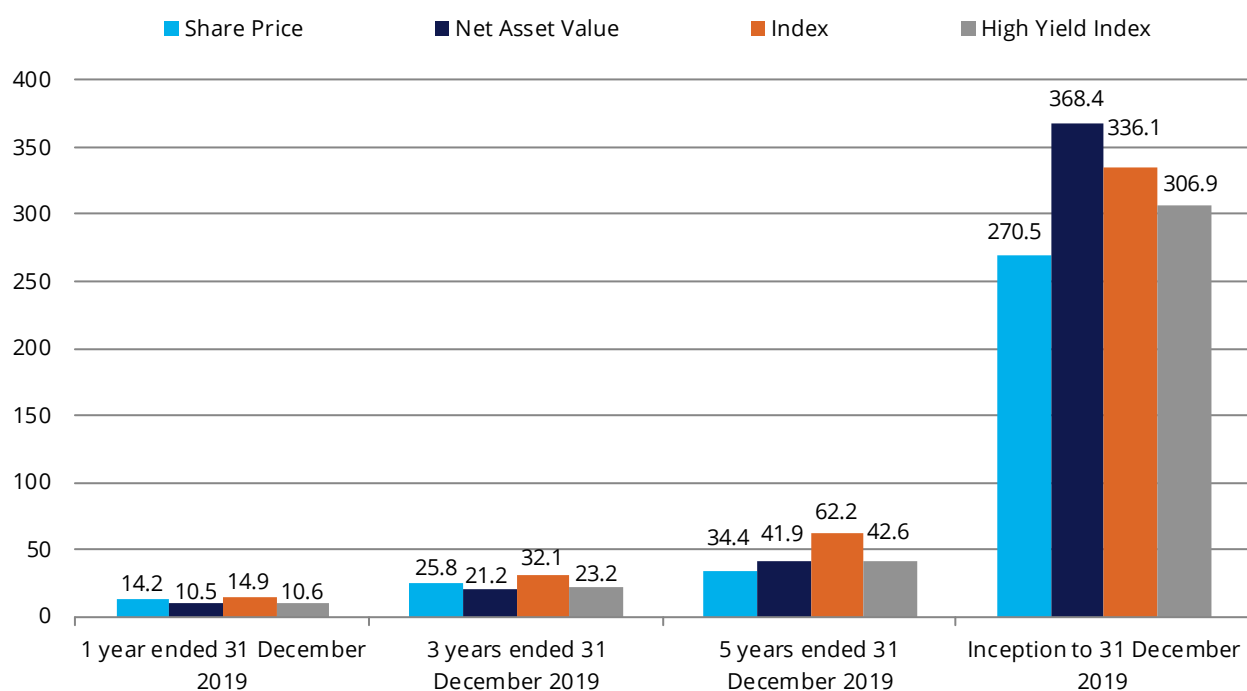
## Share Price Premium/(Discount) to Diluted NAV

Launch (20 December 2005) to 31 December 2019



## Performance Continued

### Standardised Performance – Total Return (%)



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# Portfolio

The Investment Manager believes that markets are inefficient and that companies may not be priced correctly.

By doing all its own research and undertaking substantial due diligence before initiating any investment, the Investment Manager's fund management team aims to identify good quality companies that are trading too cheaply, defined in terms of company fundamentals that, in the Investment Manager's opinion, drive share prices over the long term.

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# 2019

“Through a bottom-up stock selection process, the Manager has constructed a diversified portfolio providing exposure to longer term growth trends”



The Manager has a team of more than 40 analysts based on the ground across Asia meeting companies and uncovering often-mispriced opportunities

# Ten Largest Investments

As at 31 December 2019<sup>A</sup>



## Taiwan Semiconductor Manufacturing

Holding at year end: 6.7%

The world's largest pure-play semiconductor manufacturer, TSMC provides a full range of integrated foundry services along with a robust balance sheet and good cash generation that enables it to keep investing in cutting-edge technology and innovation.



## Samsung Electronics (Pref)

Holding at year end: 6.6%

A leading semiconductor company which is also a major player in mobile phones and consumer electronics.



## Venture Corporation

Holding at year end: 3.7%

Provides contract manufacturing services to electronics companies. The company's major segments include Printing, Imaging, Networking and Communications. It has been increasing its revenue contribution from Original Design Manufacturing.



## HSBC Holdings

Holding at year end: 3.5%

One of the world's largest global banking and financial services institutions with its roots in, and the majority of its earnings derived from, Asia.



## Oversea-Chinese Banking Corporation

Holding at year end: 3.3%

A well-managed Singapore bank with a strong capital base and impressive cost-to-income ratio. In addition to its core banking activities it has sizeable wealth management and life assurance divisions.



## Ping An Insurance (H Shares)

Holding at year end: 2.8%

A Chinese financial conglomerate with one of the best life insurance franchises domestically, backed by technological expertise, progressive management and an unrivalled ecosystem in a steadily growing market.



## Taiwan Mobile

Holding at year end: 2.8%

The leading provider of cellular telecommunications services in Taiwan. Although predominantly a wireless network operator, it also sells and leases cellular telephony equipment.



## Tesco Lotus Retail Growth

Holding at year end: 2.8%

Anchored by Thailand's largest supermarket operator Tesco Lotus, it invests in retail malls and holds a solid portfolio, principally in freehold assets. It offers an attractive yield and stands to benefit from the recovery in Thai retail spending.



## LG Chemical (Pref)

Holding at year end: 2.5%

The Korean company has a robust and cash-generative chemicals business, which serves as a strong base for it to build on its leading position in the electric-vehicle battery market.



## Singapore Telecommunications

Holding at year end: 2.4%

A regional telecommunications company, with a combined mobile subscriber base of more than 690 million customers from its own operations in Singapore and Australia, and regional associates across Asia and Africa.

<sup>A</sup> Holdings at year end based on Total Assets see definition on page 99

# List of Investments

As at 31 December 2019

Company	Country	Valuation 2019 £'000	Total assets <sup>A</sup> %	Valuation 2018 <sup>B</sup> £'000
Taiwan Semiconductor Manufacturing Company	Taiwan	29,569	6.7	19,241
Samsung Electronics (Pref)	South Korea	29,101	6.6	17,556
Venture Corporation	Singapore	16,199	3.7	14,322
HSBC Holdings	Hong Kong	15,471	3.5	16,824
Oversea-Chinese Banking Corporation	Singapore	14,463	3.3	16,047
Ping An Insurance (H Shares)	China	12,442	2.8	5,727
Taiwan Mobile	Taiwan	12,267	2.8	11,777
Tesco Lotus Retail Growth	Thailand	12,106	2.8	14,204
LG Chemical (Pref)	South Korea	10,866	2.5	9,080
Singapore Telecommunications	Singapore	10,665	2.4	10,345
<b>Top ten investments</b>		<b>163,149</b>	<b>37.1</b>	
DBS Group	Singapore	10,642	2.4	9,996
Viva Energy REIT	Australia	10,332	2.4	9,104
AusNet Services	Australia	9,555	2.2	9,075
China Mobile	China	9,435	2.1	11,237
China Resources Land	China	9,239	2.1	6,654
Shopping Centres Australasia	Australia	8,834	2.0	8,883
Hana Microelectronics (Foreign)	Thailand	8,424	1.9	8,613
Singapore Technologies Engineering	Singapore	7,507	1.7	6,840
CDL Hospitality Trust	Singapore	7,375	1.7	7,746
Spark New Zealand	New Zealand	7,315	1.7	12,338
<b>Top twenty investments</b>		<b>251,807</b>	<b>57.3</b>	
Rio Tinto <sup>C</sup>	Australia	7,159	1.6	9,139
BHP Group <sup>C</sup>	Australia	7,072	1.6	4,294
Siam Cement <sup>D</sup>	Thailand	6,855	1.6	7,262
CNOOC	China	6,836	1.6	–
Amada Holdings	Japan	6,836	1.6	6,463
Commonwealth Bank of Australia	Australia	6,633	1.5	6,875
United Overseas Bank	Singapore	6,574	1.5	6,288
SAIC Motor 'A'	China	6,562	1.5	6,916
Hang Lung Properties	Hong Kong	6,151	1.4	6,531
Okinawa Cellular Telephone	Japan	6,140	1.4	5,311
<b>Top thirty investments</b>		<b>318,625</b>	<b>72.6</b>	

## List of Investments Continued

As at 31 December 2019

Company	Country	Valuation 2019 £'000	Total assets <sup>A</sup> %	Valuation 2018 <sup>B</sup> £'000
Keppel REIT	Singapore	5,253	1.2	6,905
Infosys	India	5,187	1.2	4,154
Aeon Credit Service	Malaysia	5,184	1.2	5,736
Heineken Malaysia	Malaysia	5,085	1.2	10,219
Tata Consultancy Services	India	5,035	1.1	–
Jardine Cycle & Carriage	Singapore	5,013	1.1	11,336
ASX	Australia	4,988	1.1	3,931
Australia & New Zealand Bank Group	Australia	4,839	1.1	6,770
Tisco Financial Group Foreign	Thailand	4,715	1.1	–
Bank Rakyat	Indonesia	4,607	1.0	–
<b>Top forty investments</b>		<b>368,531</b>	<b>83.9</b>	
Land & Houses Foreign	Thailand	4,307	1.0	–
South32 <sup>C</sup>	Australia	4,302	1.0	5,614
Ascendas India	Singapore	4,294	1.0	–
Westpac Banking Corporation	Australia	4,212	0.9	7,411
Yum China Holdings	China	4,037	0.9	7,106
Globalwafers	Taiwan	3,896	0.9	1,755
ICICI Bank <sup>E</sup>	India	3,879	0.9	4,111
Scentre Group	Australia	3,836	0.9	4,048
ComfortDelGro	Singapore	3,785	0.8	4,700
NZX	New Zealand	3,686	0.8	2,225
<b>Top fifty investments</b>		<b>408,765</b>	<b>93.0</b>	
Momo	Taiwan	3,604	0.8	1,724
Swire Pacific <sup>B</sup>	Hong Kong	3,567	0.8	7,553
Convenience Retail Asia	Hong Kong	3,236	0.7	3,196
Japan Tobacco	Japan	3,201	0.7	4,766
Standard Chartered	United Kingdom	2,620	0.6	2,241
Medibank Private	Australia	2,515	0.6	–
Auckland International Airport	New Zealand	2,438	0.6	–
Woodside Petroleum	Australia	2,058	0.5	1,954
SP Setia <sup>F</sup>	Malaysia	1,682	0.4	3,609
Kingmaker Footwear	Hong Kong	1,178	0.3	3,237
<b>Top sixty investments</b>		<b>434,864</b>	<b>99.0</b>	

## As at 31 December 2019

Company	Country	Valuation 2019 £'000	Total assets <sup>A</sup> %	Valuation 2018 <sup>B</sup> £'000
Giordano International	Hong Kong	818	0.1	5,771
City Developments (Pref)	Singapore	302	0.1	287
G3 Exploration <sup>E</sup>	China	0	0.0	4,413
<b>Total value of investments</b>		<b>435,984</b>	<b>99.2</b>	
<b>Net current assets<sup>G</sup></b>		<b>3,408</b>	<b>0.8</b>	
<b>Total assets<sup>A</sup></b>		<b>439,392</b>	<b>100.0</b>	

<sup>A</sup> See definition on page 99.

<sup>B</sup> Purchases and/or sales effected during the year may result in 2018 and 2019 values not being directly comparable.

<sup>C</sup> Incorporated in and listing held in United Kingdom.

<sup>D</sup> Holding includes investment in common (£4,583,000) and non-voting depositary receipt (£2,272,000) lines.

<sup>E</sup> Corporate bonds.

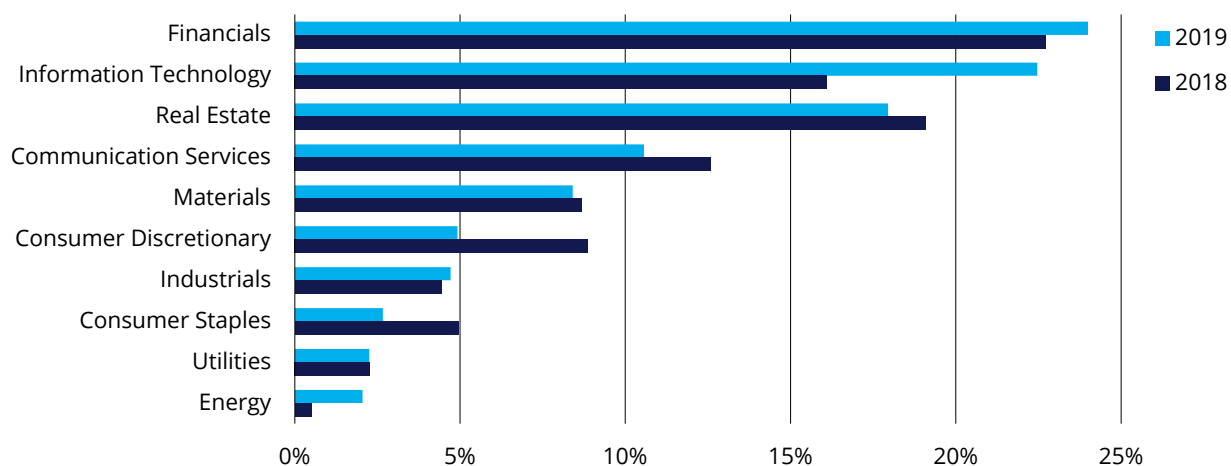
<sup>F</sup> Holding includes investment in Preference Shares (£451,000) and Common Stock (£1,231,000).

<sup>G</sup> Excludes bank loans of £35,989,000.

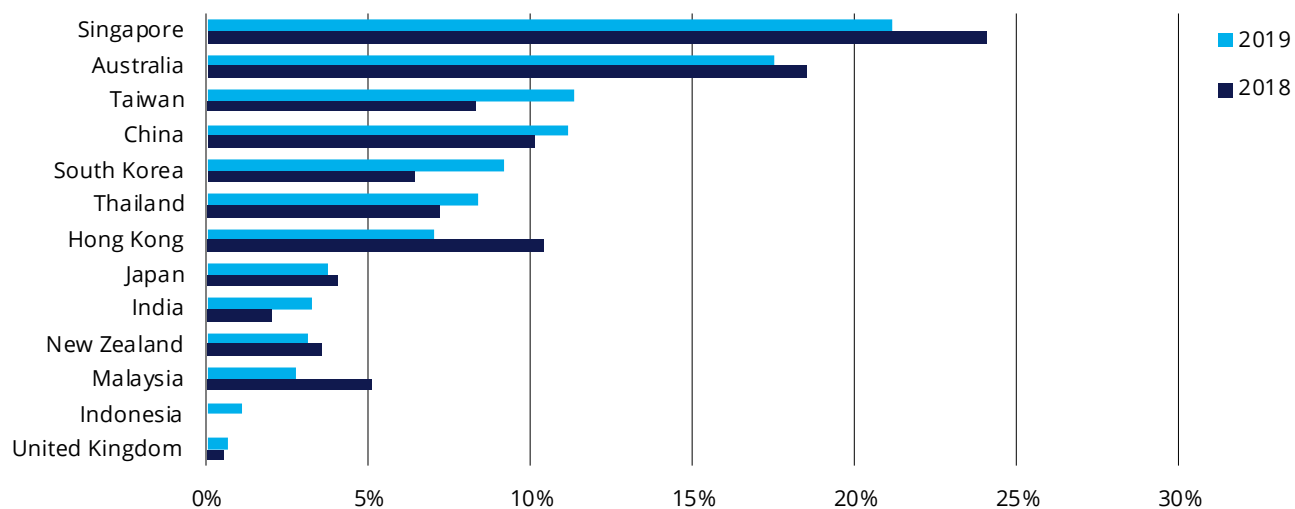


# Sector/Geographical Analysis

## Sector Breakdown



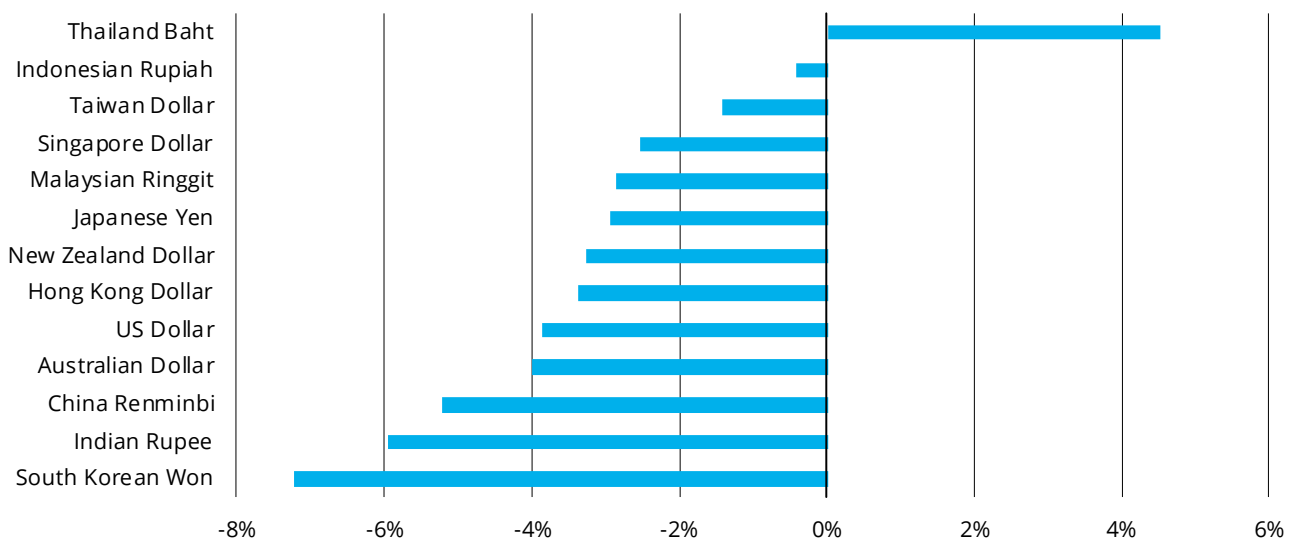
## Geographic Breakdown



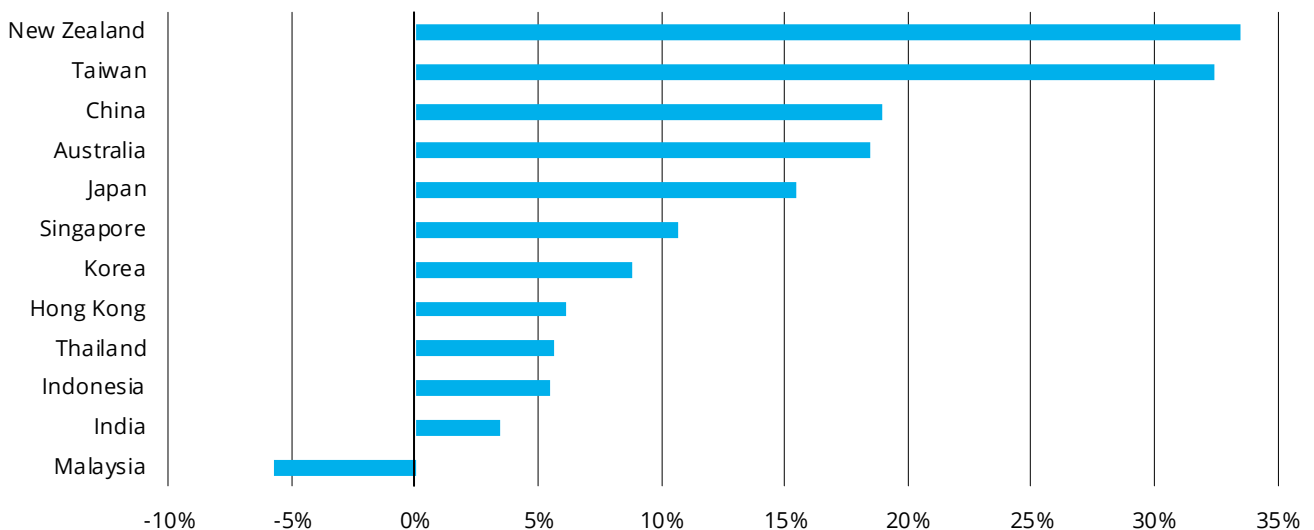
# Currency/Market Performance

The Company's base currency, British Pound, strengthened in the final quarter as Brexit uncertainty receded following the Conservative party's election victory. Dividend income is collected over the course of the year in various currencies. Whilst Asian currency returns have ended the year negative to sterling, some of the weakest were the Chinese Renminbi and the Indian Rupee to which we do not have great exposure. On the other hand, Singapore is both a large percentage of the portfolio as well as a large contributor to dividend income, and the Singapore dollar has been relatively resilient. These income streams are collected unhedged as part of the total return to investors. Since the beginning of 2020, currency markets have not been spared from the uncertainty caused by Covid-19 which reinforces the many challenges to trying to run a hedging strategy that consistently generates positive returns.

## Currency Returns (in sterling terms) to 31 December 2019



## MSCI Country Index Total Returns (in sterling terms) to 31 December 2019



# Investment Case Studies

This year we have introduced case studies to provide shareholders with further, in-depth, analysis from the Investment Manager of two of the stocks that they prefer and the reasons for holding them in the Company's portfolio.



## Samsung Electronics

**In which year did we first invest?** 2016

**Where is their head office?** Suwon, South Korea

**What is their website?** <https://www.samsung.com/uk/>

**Holding at year end:** 6.6%

Samsung is the world's largest maker of memory chips. It has come a long way since its inception in 1969, producing transistor radios and black and white television sets. Nowadays, its mainstays are market-leading semiconductor chips, OLED screen panels and mobile phones. It enjoys a wide moat for its businesses, as its technology prowess, scale and continuous investment in leading-edge technology all pose formidable barriers to entry for rivals.

Together with the broader technology industry, Samsung has weathered a challenging 2019 as unpredictable behaviour from large data centre customers created an oversupply situation in its core memory chip products. The Investment Manager, nevertheless, continues to like the group, as demand is recovering and the business is set to benefit from numerous long-term growth drivers. In particular, the roll-out of 5G networks globally will spur more ubiquitous use of artificial intelligence (AI) while also boosting demand for more complex chips. The working from home trend worldwide in response to the coronavirus pandemic is driving demand for technology hardware, higher data consumption and larger server and cloud storage requirements which all feed into semiconductor sales for Samsung.

Smartphones are becoming increasingly more powerful but at the same time, consumers are demanding better power efficiency and smaller devices that fit into pockets. Samsung Electronics is a global market leader in memory-chip technology, and in the most advanced and thin smartphone display screens that can save precious real estate for additional handset features. This provides a great supply chain network for Samsung's own smartphones and makes it a tier-one supplier to its largest handset competitors.

Samsung has used its competitive advantages to build a large war chest over the years that enables it to acquire businesses, innovate for the future and support an attractive shareholder returns policy. The Fund owns the preference shares, which trade at a discount to the ordinary shares and pay a higher dividend.

# Ping An Insurance

**In which year did we first invest?** 2018

**Where is their head office?** Shenzhen, China

**What is their website?** <http://www.pingan.cn/>

**Holding at year end:** 2.8%

Ping An Insurance is a Chinese financial powerhouse, with one of the best domestic life insurance franchises. Through its collection and use of data for over 30 years since its founding, Ping An has become one of the most valuable insurers and data owners in the world. It spends 1% of its annual revenue on innovation, and has filed over 20,200 patent applications. As a result of the use of artificial intelligence, it has shaved average underwriting time per policy from five days to 15 minutes. Insurance penetration remains low in China, and Ping An has an efficient distribution strategy with its combined agency force and online platforms, which keeps its cost ratios low compared to domestic peers.

New technologies in the five areas of finance, health care, auto, real estate, and smart city services promote cross-selling and deeper relationships with its customers. For instance, the group has an app called "Ping An Good Doctor", which provides appointments for outpatients and help with admissions of patients at a network of state-run hospitals. The Investment Manager believes that Ping An is the ideal candidate to tap China's middle-class growth, and that the market has not fully appreciated the full potential of its businesses. These new growth areas will help to partially mitigate a weaker consumer environment and the disruption to their agency network from the lock down measures in China. Ping An's market leading digital platform will benefit from online premiums generated during this time whilst their margins will improve due to the lower cost of new business as well as lower claims frequency in the auto business during quarantine.

Whilst Ping An's core business will be impacted by the pandemic, your Investment Manager believes that the value in the online businesses is not fully reflected in Ping An's current valuations. Robust solvency ratios coupled with market share in a high growth insurance market with as yet low penetration levels makes this an attractive investment for both capital gains and income generation.



# ESG Engagement and Case Studies

## Environmental, Social and Governance (“ESG”) Engagement

Whilst the management of the Company’s investments is not undertaken with any specific instructions to exclude certain asset types or classes, the Investment Manager embeds ESG into the research of each asset class as part of the investment process. ESG investment is about active engagement, with the goal of improving the performance of assets held around the world.

The Investment Manager aims to make the best possible investments for the Company, by understanding the whole picture of the investments – before, during and after an investment is made. That includes understanding the environmental, social and governance risks and opportunities they present – and how these could affect longer-term performance. Environmental, social and governance considerations underpin all investment activities. With 1,000+ investment professionals, the Investment Manager is able to take account of ESG factors in its company research, stock selection and portfolio construction – supported by more than 50 ESG specialists around the world.

## Active Engagement

Through engagement and exercising voting rights, the Investment Manager, on behalf of the Company, actively works with companies to improve corporate standards, transparency and accountability. By making ESG central to its investment capabilities, the Investment Manager looks to deliver improved financial performance in the longer term as well as actively contributing to a fairer, more sustainable world.

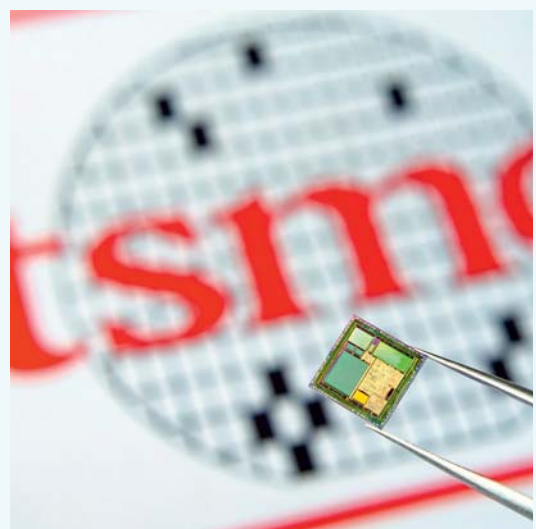
The primary goal is to generate the best long-term outcomes for the Company in order to fulfil fiduciary responsibilities to the Company. The Investment Manager sees ESG factors as being financially material and impacting corporate performance. ESG factors put the ‘long-term’ in long-term investing. The Investment Manager focuses on understanding the ESG risks and opportunities of investments alongside other financial metrics to make better investment decisions. The Investment Manager aims for better risk-adjusted returns by actively undertaking informed and constructive engagement and asset management to generate better performance from the investments. This helps to enhance the value of clients’ assets. Comprehensive assessment of ESG factors, combined with constructive company engagement, should lead to better long term performance for clients.

## TSMC

**Action** The Investment Manager, together with other stakeholders, has engaged with TSMC extensively on water management to understand its practices and push for better water reduction and recycling initiatives.

**Result** As a result, TSMC has one of the most advanced water-management initiatives in the world. It understands that demand for water will continue to rise, and that water recycling will become more difficult. As such, it is committed to building a variety of water-recycling systems to enable the reuse of water. It aims to improve usage of water, recycling over 87.5% of all water used, which is then re-used more than 3.5 times. To do so, it separates wastewater according to the cleanliness level, following which the water is re-directed to the relevant processes. Overall, TSMC has recycled more than 103.4 million metric tonnes of water, allowing it to sustain operations longer in the event of water shortage.

**Highlight** The Investment Manager believes that TSMC is a leader on the ESG front. It has been extremely receptive to our engagement, and its continued focus to develop more sustainable production processes shows that sustainability is well embedded and a significant part of its strategy.



## Siam Cement

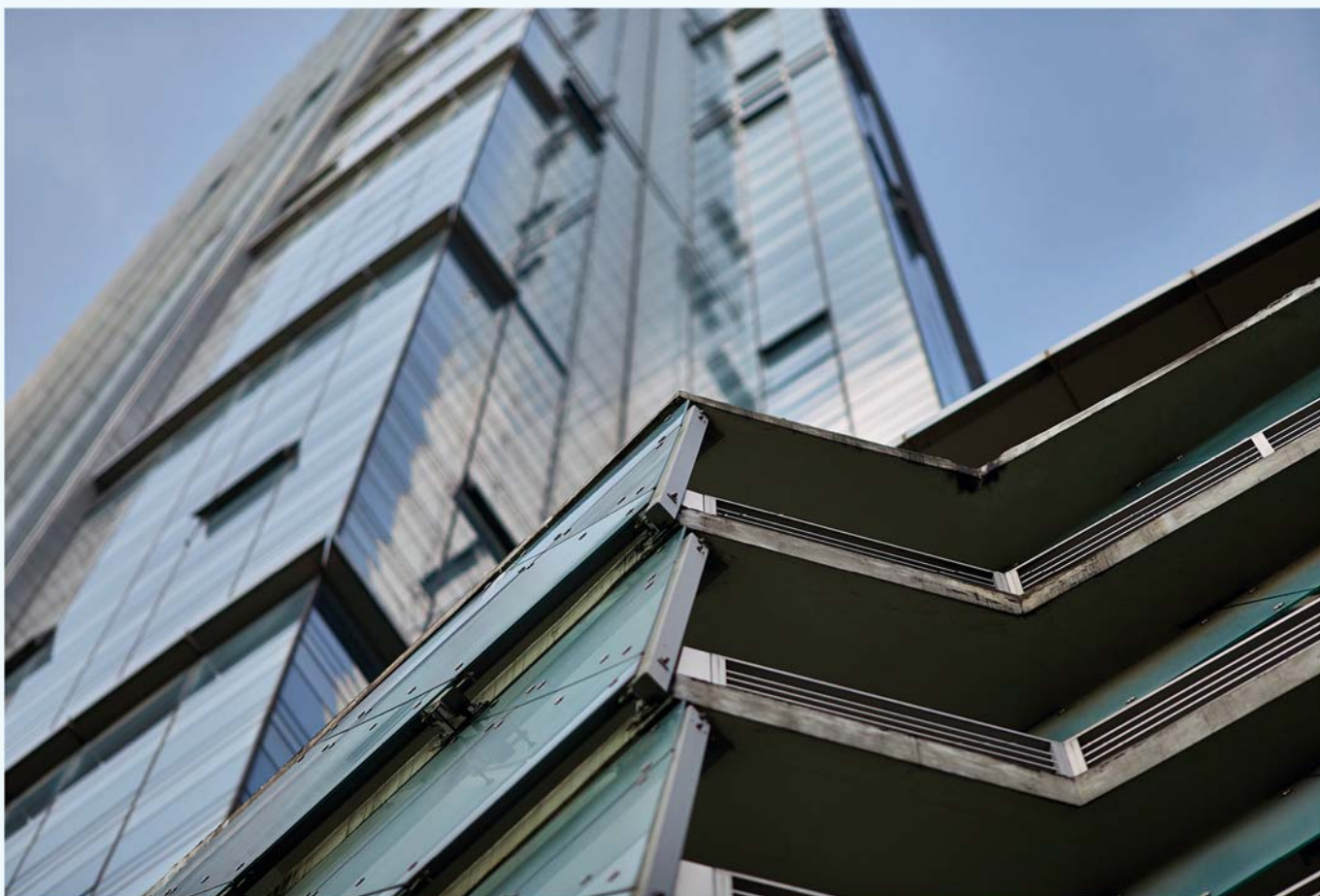
**Action** The growing use of plastics is fuelling demand for petrochemicals. Petrochemicals account for about 12% of oil demand. In the next three decades, it is estimated to make up half of all new demand for oil. Consequently, the sector has become a focus for investors. Given the importance of the chemicals business to Siam Cement, the Investment Manager has liaised with Siam Cement twice in 2019 to assess its sustainability strategy.

**Result** Though initially established to produce cement more than a century ago, Siam Cement Group's chemicals business now accounts for about 65% of its earnings. It has an intense focus on sustainability, not only on minimising its environmental impact, but also on innovating to keep pace with changing consumption dynamics. The company recognises changing consumer behaviour as a key business risk, in particular the shift toward a more sustainable world economy curtailing demand for single-use plastics. As a result, it aims to reduce single-use plastics from 36% of its chemical business' sales to 20% by 2025. At the same time, it is working to transform the entire output of its packaging business to recyclable plastic by the same year, from 35% currently. The group has also developed products designed to reduce the environmental impact of plastics. An example is the "recycled plastic road" it unveiled in 2018, where recycled plastic was mixed with asphalt to pave a road. In addition, Siam Cement aims to reduce both the volume of water sourced externally as well as greenhouse gas emissions. It has set specific targets to achieve this by 2025 and 2030 respectively.

**Highlight** The Investment Manager believes that sustainability issues are material in the petrochemicals sector. Yet plastics play a central role in our everyday lives. They are cost-effective, lightweight and relatively easy to manufacture. In many cases, there are no viable cost-effective alternatives. As such, it must be assumed that plastics will continue to play a major role in economies. Petrochemicals companies that are prepared to innovate and adapt to changing consumer demands will be well-placed for success in the more sustainable future. To that end, the Investment Manager is encouraged by the progress that Siam Cement is making.







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# Governance

The Board is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

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## Your Board of Directors

The Directors, all of whom are non-executive, and the majority of whom are independent of the Standard Life Aberdeen Group, supervise the management of Aberdeen Asian Income Fund Limited and represent the interests of shareholders.





**Charles Clarke**

**Independent  
Non-Executive Chairman**

He is a Jersey residentially-qualified graduate chartered accountant and former senior partner of KPMG in the Channel Islands who has previously worked for KPMG in Kuala Lumpur. Charles has a portfolio of independent NED appointments and runs an offshore corporate governance consultancy.

**Ian Cadby**

**Independent  
Non-Executive Director**

He is a Jersey residentially-qualified board executive and investment manager with over 33 years' experience within the asset management and wealth management industry spanning a number of jurisdictions including Asia. Ian is the former Group CEO of Ermitage Ltd with extensive experience in derivatives trading, board strategy, corporate governance and risk management. Ian is also a director of CQS New City High Yield Fund Limited.

**Mark Florance**

**Independent  
Non-Executive Director and Audit  
Committee Chairman**

He is a Singapore Permanent Resident with over 25 years' experience in corporate finance advisory, mergers and acquisitions, equity capital markets, debt capital markets and debt restructuring in Asia at Arthur Andersen and NM Rothschild & Sons Limited. He is on the board of Butterfield (Singapore) Pte Limited and is an independent member of the investment committee of renewable energy fund, Climate Investor One and water fund, Climate Investor Two.

**Nicky McCabe**

**Independent  
Non-Executive Director**

She was formerly head of product and investment trusts at Fidelity International with experience across the full spectrum of asset management in back office operations, the investment team, proprietary investment, distribution and product management. Nicky is currently a non-executive director of Fidelity Special Values Investment Trust PLC, Bristol University, Artemis Investment Management Limited, Vitality Life Insurance and the charity Tomorrow's People.

**Krystyna Nowak**

**Senior Independent  
Non-Executive Director**

She is a partner at Ridgeway Partners and former Managing Director of the Board Practice at Norman Broadbent. She studied at Oxford University, before joining Citibank, originally in London followed by nine years in Hong Kong and Singapore.

**Hugh Young**

**Non-Executive Director**

He is a resident of Singapore and is ASI's managing director of the Asia Pacific Region and responsible for all the Standard Life Aberdeen Group's operations in Asia. He is also a director of Aberdeen New Dawn Investment Trust PLC, Aberdeen Australia Equity Fund Inc., Aberdeen Asia-Pacific Income Investment Company Limited, Aberdeen Standard Asia Focus PLC (Alternate) and The India Fund Inc.

# Directors' Report

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## Introduction

The Directors present their Report and the audited financial statements for the year ended 31 December 2019.

## Results and Dividends

Details of the Company's results and dividends are shown on page 26 and in note 8 to the financial statements. The Company's dividend policy is to pay interim dividends on a quarterly basis and for the year to 31 December 2019 dividends have been paid in May, August and November 2019 and February 2020. As at 31 December 2019 the Company's revenue reserves (adjusted for the payment of the fourth interim dividend) amounted to £11.0 million (approximately 6.2p per Ordinary Share).

## Status

The Company is registered with limited liability in Jersey as a closed-end investment company under the Companies (Jersey) Law 1991 with registered number 91671. In addition, the Company constitutes and is regulated as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988 and is an Alternative Investment Fund (within the meaning of Regulation 3 of the Alternative Investment Fund Regulations). The Company has no employees and makes no political donations. The Ordinary Shares are admitted to the Official List in the premium segment and are traded on the London Stock Exchange's Main Market.

The Company is a member of the Association of Investment Companies ("AIC").

## Individual Savings Accounts

The Company has conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

## Capital Structure, Issuance and Buybacks

The Company's capital structure is summarised in note 14 to the financial statements. At 31 December 2019, there were 177,591,975 fully paid Ordinary Shares of no par value (2018 – 178,630,688) Ordinary Shares in issue. At the year end there were 17,341,414 Ordinary Shares held in treasury (2018 – 16,302,701).

During the year 1,038,713 (2018 - 4,651,533) Ordinary Shares were purchased in the market for treasury and no Ordinary Shares were issued or sold from treasury.

Subsequent to the period end 582,285 Ordinary Shares have been purchased in the market at a discount for treasury.

## Voting Rights

Each Ordinary Share holds one voting right and shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary Shares, excluding treasury shares, carry a right to receive dividends. On a winding up or other return of capital, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings. There are no restrictions on the transfer of Ordinary Shares in the Company other than certain restrictions which may be applied from time to time by law.

## Borrowings

The Company had an unsecured three year £40 million multi currency revolving facility agreement with Scotiabank (Ireland) Designated Activity Company which matured in April 2020. Under the terms of the facility the Company also had the option to increase the level of the commitment from £40 million to £60 million at any time, subject to the identification by the Investment Manager of suitable investment opportunities and the Lender's credit approval. The Company also has a fully drawn three year £10 million term facility with Scotiabank Europe PLC. The Company's total gearing at the year end amounted to the equivalent of £36.0 million representing net gearing of 8.1%.

On 9 April 2020 the Company confirmed that it had renewed the £40 million revolving credit facility with Scotiabank for one year. HKD212.5 million and US\$ 7.16m has been drawn down under the facility at all-in rates of 3.13774% and 2.2135% respectively.

## Management Arrangements

### Change of Management Entity

On 30 September 2019 Aberdeen Private Wealth Management Limited ("APWML"), the Company's Manager and Company Secretary, merged with Aberdeen Standard Capital International Limited ("ASCIL") by way of the merger process set out in the Companies (Jersey) Law 1991, leaving ASCIL as the single on-going entity and the new contracting party to all of APWML's previous agreements. Following the merger, the on-going entity, ASCIL, has become the Company's Manager and Company Secretary with effect from 30 September 2019, on identical terms to the arrangements previously in place with APWML. ASCIL is a wholly owned subsidiary of Standard Life Aberdeen PLC.

The investment management of the Company continues to be delegated, from ASCIL, to Aberdeen Standard Investments (Asia) Limited and the changes outlined above had no impact upon shareholders.

### Management Fee

Under the terms of a revised Management Agreement dated 21 March 2017, management services are provided by Aberdeen Standard Capital International Limited (as continuing entity following the merger with Aberdeen Private Wealth Management Limited). Further details of which are shown in note 5 to the financial statements. For the year to 31 December 2019 the Manager was entitled to receive a management fee payable quarterly in arrears based on an annual amount of 0.85% of the rolling monthly average NAV of the Company over the previous six months. The Manager was also entitled to a company secretarial and administration fee of £134,000 per annum.

During the year the Directors negotiated a new level of management fee with the Manager and with effect from 1 January 2020 the company secretarial fee has been removed and the management fee is calculated on the following new tiered basis:

- (i) Average Value up to £350m – 0.85% per annum; and
- (ii) Average Value in excess of £350m – 0.65% per annum.

The Management Fee is calculated and accrued on a monthly basis (being 1/12<sup>th</sup> of the value resulting from the sum of (i) plus (ii) above) and shall be payable quarterly in arrears

Termination of the Management Agreement remains subject to six months' notice.

The Directors review the terms of the Management Agreement on a regular basis and have confirmed that, due to the investment skills, experience and commitment of the Investment Manager, in their opinion the continuing appointment of Aberdeen Standard Capital International Limited (formerly Aberdeen Private Wealth Management Limited) with the delegation arrangements to the Investment Manager, on the terms agreed, is in the interests of shareholders as a whole.

### Risk Management

Details of the financial risk management policies and objectives relative to the use of financial instruments by the Company are set out in note 18 to the financial statements.

### Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued Ordinary Share capital of the Company at 31 December 2019:

Shareholder	No. of Ordinary Shares held	% held
Rathbones	20,412,880	11.5
1607 Capital Partners	17,252,487	9.7
Hargreaves Lansdown <sup>A</sup>	10,183,365	5.7
Interactive Investor	9,777,126	5.5
Brewin Dolphin	8,189,572	4.6
Aberdeen Standard Retail Plans <sup>A</sup>	7,585,881	4.3
Charles Stanley	7,525,781	4.3
Quilter Cheviot Inv. Management	5,929,752	3.3

<sup>A</sup> Non-beneficial interests

On 2 March 2020, 1607 Capital Partners notified the Company that its interest in the Ordinary shares had increased to 17,722,487 (10.0%). There have been no other changes notified in respect of the above holdings in the period from 31 December 2019 to 14 May 2020.

### Directors

The Board currently consists of six non-executive Directors. Messrs Mark Florance, Ian Cadby, Charles Clarke, Hugh Young together with Ms Krystyna Nowak and Ms Nicky McCabe all held office throughout the year and were the only Directors in office during the year.

### Governance

The names and biographies of each of the six current Directors are disclosed on page 45 indicating their range of experience. Mr Young is non-independent and has served on the Board for more than nine years and, in accordance with corporate governance best practice, will retire at the Annual General Meeting on 22 July 2020 ("AGM") and, being eligible, offers himself for re-election. In accordance with Principle 23 of the AIC's Code of Corporate Governance which recommends that all directors should be subject to annual re-election by shareholders, all the members of the Board, will retire at the forthcoming AGM and will offer themselves for re-election. Details of each Directors' contribution to the long term success of the Company are provided on page 49.

The Board considers that there is a balance of skills and experience within the Board relevant to the leadership and direction of the Company and that all the Directors contribute effectively. The Board has reviewed each of the proposed reappointments and concluded that each of the Directors has the requisite high level and range of business and financial experience and recommends their re-election at the forthcoming AGM.



## Directors' Report continued

In common with most investment companies, the Company has no employees. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

### Policy on Tenure

Directors are not currently required to serve on the Board for a limited period of time only. However, the Board's intention is to follow best practice in this area and for the independent Directors to serve for up to a maximum of nine years on the Board. Mr Clarke was appointed to the Board in 2012 and subsequently became Chairman in 2018. As explained in the Chairman's Statement, the current expectation is for Mr Clarke to retire from the Board at the AGM to be held in 2022 allowing for an orderly hand over of responsibilities to a successor.

### Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company has applied the principles identified in the UK Corporate Governance Code as published in July 2018 (the "UK Code"), which is available on the Financial Reporting Council's (the "FRC") website: [frc.org.uk](http://frc.org.uk).

The Board has also considered the principles and provisions of the AIC Code of Corporate Governance as published in February 2019 (the "AIC Code"). The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The AIC Code is available on the AIC's website: [theaic.co.uk](http://theaic.co.uk).

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC provides more relevant information to shareholders.

The Board confirms that, during the year, the Company complied with the principles and provisions of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- interaction with the workforce (provisions 2, 5 and 6);
- the role and responsibility of the chief executive (provisions 9 and 14);
- previous experience of the chairman of a remuneration committee (provision 32); and
- executive directors' remuneration (provisions 33 and 36 to 40).

The Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The full text of the Company's Corporate Governance Statement can be found on the Company's website, [asian-income.co.uk](http://asian-income.co.uk).

Directors have attended the following scheduled Board and Committee meetings during the year ended 31 December 2019 as follows (with their eligibility to attend the relevant meeting in brackets):

	Board	Audit	MEC	Nom
<b>Total Meetings</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>
C Clarke <sup>A</sup>	4 (4)	n/a	1 (1)	1 (1)
M Florance	4 (4)	2 (2)	1 (1)	1 (1)
I Cadby	4 (4)	2 (2)	1 (1)	1 (1)
N McCabe	4 (4)	2 (2)	1 (1)	1 (1)
K Nowak	4 (4)	2 (2)	1 (1)	1 (1)
H Young <sup>B</sup>	4 (4)	n/a	n/a	1 (1)

<sup>A</sup> Mr Clarke is not a member of the Audit Committee.

<sup>B</sup> Mr Young is not a member of the Audit or Management Engagement Committees.

In addition to the above meetings there have been a number of ad hoc Board Meetings to review and approve dividends and other operational matters such as loan facilities.

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of the Investment Manager. Such matters include strategy, gearing, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

### Board Committees

The Directors have appointed a number of Committees as set out below. Copies of their terms of reference, which clearly define the responsibilities and duties of each Committee, are on the Company's website. The terms of reference of each of the Committees are reviewed and re-assessed by the Board for their adequacy on an ongoing basis.

### Audit Committee

The Audit Committee's Report is on pages 55 and 56 of this Annual Report.

### Management Engagement Committee

The Management Engagement Committee comprises all of the Directors except Mr Young. The Chairman of the Company serves as Chairman of the Management Engagement Committee. The Committee reviews the performance of the Investment Manager and its compliance with the terms of the management and secretarial agreement. The terms and conditions of the Manager and Investment Manager's appointment, including an evaluation of fees, are reviewed by the Committee on an annual basis. The Committee believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

### Nomination Committee

All appointments to the Board of Directors are considered by the Nomination Committee which comprises the entire Board and is chaired by the Chairman of the Company. Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles of Association require that one third of the Directors retire by rotation at each Annual General Meeting.

The Company has put in place the necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board, Directors' individual self evaluation and a performance evaluation of the Board as a whole. During the year an independent board evaluation consultant, BoardAlpha Limited, undertook an in depth evaluation of the Board. The appraisal processes concluded that the Board continues to have a good balance of experience and considerable knowledge of Asian markets and works in a collegiate, efficient and effective manner under the leadership of an experienced and well regarded Chairman. The Board also reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company. Given the ever changing regulatory environment, it was agreed to increase focus on continuing professional development and regulatory and accounting developments as well as future corporate governance changes. The Directors intend to conduct a self evaluation exercise in 2021 which will involve the use of self appraisal questionnaires followed up one on one meetings with the Chairman.

The independent members of the Committee have appraised each of the Directors standing for re-elections at the forthcoming AGM. The Chairman was appointed to the Board in 2012 and

became Chair in 2018. He has continued to Chair meetings in an orderly, open and independent manner allowing sufficient time for key areas of focus whilst allowing all significant matters to be fully debated. Ms Nowak, was appointed to the Board in 2015 and became Senior Independent Director in 2018. She has continued to provide the Board with excellent strategic and governance direction during the year. Mr Cadby was appointed to the Board in 2016 and has provided the Company with expert insight into the management of derivatives as well as the benefit of his international fund management experience. Mr Florance was appointed to the Board in 2017 and has assumed the role of Audit Committee Chairman in 2018. He has chaired the Audit Committee expertly and being resident in Asia is able to bring direct experience of the investment region to the Board. Ms McCabe was appointed to the Board in 2018 and has brought detailed investment trust insight to the Board from her previous industry experience. Mr Young was appointed to the Board as a non independent Director at the launch of the Company in 2005 and has stood for annual re-election ever since. As head of the Investment Manager's Asia Pacific Region and being based in Singapore he is able to bring first hand investment vision to the Board.

Accordingly, the Board has no hesitation in recommending to shareholders the reappointment of each Director at the forthcoming AGM.

### The Role of the Chairman and Senior Independent Director

The Chairman is responsible for providing effective leadership to the Board, by setting the tone of the Company, demonstrating objective judgement and promoting a culture of openness and debate. The Chairman facilitates the effective contribution, and encourages active engagement, by each Director. In conjunction with the Company Secretary, the Chairman ensures that Directors receive accurate, timely and clear information to assist them with effective decision-making. The Chairman leads the evaluation of the Board and individual Directors, and acts upon the results of the evaluation process by recognising strengths and addressing any weaknesses. The Chairman also engages with major shareholders and ensures that all Directors understand shareholder views.

The Senior Independent Director acts as a sounding board for the Chairman and acts as an intermediary for other directors, when necessary. Working closely with the Nomination Committee, the Senior Independent Director takes responsibility for an orderly succession process for the Chairman, and leads the annual appraisal of the Chairman's performance. The Senior Independent Director is also available to shareholders to discuss any concerns they may have.

## Directors' Report continued

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### Remuneration Committee

As the Company only has non-executive Directors, the Board has not established a separate Remuneration Committee and Directors' remuneration is determined by the Board as a whole.

The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is set out in the Directors' Remuneration Report on pages 57 to 59.

### Management of Conflicts of Interests

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors are required to disclose other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

No Director has a service contract with the Company although Directors are issued with letters of appointment upon appointment. The Directors' interests in contractual arrangements with the Company are as shown in note 20 to the financial statements. No other Directors had any interest in contracts with the Company during the period or subsequently.

The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company's circumstances to prevent them. The Standard Life Aberdeen Group also adopts a group-wide zero tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption. Copies of the Standard Life Aberdeen Group's anti-bribery and corruption policies are available on its website [standardlifeaberdeen.com](http://standardlifeaberdeen.com).

### Going Concern

The Directors have undertaken a robust review of the Company's viability (refer to statement on page 50) and ability to continue as a going concern. The Company's assets consist primarily of a diverse portfolio of listed equity shares which in most circumstances are realisable within a very short timescale.

The Directors have carefully considered the financial position of the Company with particular attention to the economic and social

impacts of the Covid-19 pandemic. As indicated above and in the Chairman's Statement and Investment Manager's Review, Covid-19 presents significant challenges to all of the countries within the investment region as well as the rest of the world. It is too early to be able to assess the longer term impacts on the individual companies in the portfolio, however, the Board takes comfort from the resilience of the balance sheets of those companies.

The Directors are mindful of the principal risks and uncertainties disclosed on pages 22 to 24 and have reviewed forecasts detailing revenue and liabilities and the Directors believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

### Accountability and Audit

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's Auditor is unaware, and he or she has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

### Independent Auditor

During the year the Audit Committee undertook a tender for audit services which resulted in the recommendation to appoint of KPMG Channel Islands Limited as independent auditor. Shareholders approved the appointment of KPMG Channel Islands Limited at the AGM held in May 2019 and a Resolution to reappoint KPMG Channel Islands Limited as the Company's Auditor and to authorise the Directors to fix the Auditor's remuneration will be put to shareholders at the AGM to be held in July 2020.

### Principal Risks

The Principal Risks and Uncertainties facing the Company are detailed on pages 22 to 24. The Board of Directors is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following the Financial Reporting Council's publication of "Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting" (the "FRC Guidance"), the Directors confirm that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. This process has been in place for the full year under review and up to the date of approval of the financial statements, and this process is regularly reviewed by the Board and accords with the FRC Guidance.

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board has prepared its own risk register which identifies potential risks relating to strategy, investment management, shareholders, marketing, gearing, regulatory and financial obligations, third party service providers and the Board. The Board considers the potential cause and possible impact of these risks as well as reviewing the controls in place to mitigate these potential risks. A risk is rated by having a likelihood and an impact rating and the residual risk is plotted on a "heat map" and is reviewed regularly.

The Board has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the principal risks faced by the Company and the policies and procedures by which these risks are managed.

The Directors have delegated the investment management of the Company's assets to the Manager which has, in turn, delegated the responsibility to the Investment Manager within overall guidelines. This embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by the Manager's internal audit function which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

Risks are identified and documented through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the FRC Guidance and includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review. Any relevant weaknesses identified are reported to the Board and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

The key components designed to provide effective internal control for the year under review and up to the date of this Report are outlined below:

- the Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance;

- the Board and Investment Manager have agreed clearly defined investment criteria;
- there are specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Investment Manager's investment process and financial analysis of the companies concerned include detailed appraisal and due diligence;
- as a matter of course the compliance department of ASCIL continually reviews the Investment Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third-party service providers and the Committee reviews, where relevant, ISAE3402 Reports, a global assurance standard for reporting on internal controls for service organisations. The Board has reviewed the exceptions arising from the Standard Life Aberdeen Group ISAE3402 for the year to 30 September 2019, none of which were judged to be of direct relevance to the Company;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Standard Life Aberdeen Group, has decided to place reliance on the Standard Life Aberdeen Group's systems and internal audit procedures; and
- twice a year, at its Board meetings, the Board carries out an assessment of internal controls by considering documentation from the Investment Manager, including its internal audit and compliance functions and taking account of events since the relevant period end.

In addition, the Manager and Investment Manager ensures that clearly documented contractual arrangements exist in respect of any activities that have been delegated to external professional organisations. The Board meets periodically with representatives from BNP Paribas and receives control reports covering the activities of the custodian.

Representatives from the Internal Audit department of the Standard Life Aberdeen Group report six monthly to the Audit Committee of the Company and have direct access to the Directors at any time.

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business

## Directors' Report continued

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objectives and, by their nature, can provide reasonable but not absolute assurance against material misstatement or loss.

### The UK Stewardship Code and Proxy Voting

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the AIFM which has sub-delegated that authority to the Investment Manager.

Standard Life Aberdeen plc is a tier 1 signatory of the UK Stewardship Code which aims to enhance the quality of engagement by investors with investee companies in order to improve their socially responsible performance and the long term investment return to shareholders.

### Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Chairman welcomes feedback from all shareholders and meets periodically with the largest shareholders to discuss the Company. The Annual Report and financial statements are available on the Company's website and are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's freephone information service and the Company's website ([asian-income.co.uk](http://asian-income.co.uk)).

The Notice of the Annual General Meeting included within the Annual Report and financial statements is ordinarily sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Investment Manager, either formally at the Company's Annual General Meeting or informally following the meeting. The Company Secretary is available to answer general shareholder queries at any time throughout the year. The Directors are keen to encourage dialogue with shareholders and the Chairman welcomes direct contact from shareholders.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (either the Company Secretary, the Manager or the Investment Manager) in situations where direct communication is required and usually a representative from the Board meets with major shareholders on an annual basis in order to gauge their views.

### Responsible Investment

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner. The Manager considers social, environmental and ethical factors which may

affect the performance or value of the Company's investments. The Directors, through the Company's Manager, encourage companies in which investments are made to adhere to best practice in the area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective however is to deliver superior investment returns for its shareholders. Accordingly, whilst the Manager will seek to favour companies which pursue best practice in the above areas, this must not be to the detriment of the return on the investment portfolio.

### Alternative Investment Fund Managers Directive ("AIFMD")

In accordance with the Alternative Investment Funds (Jersey) Regulations 2012, the Jersey Financial Services Commission ("JFSC") has granted its permission for the Company to be marketed within any EU Member State or other EU State to which the AIFMD applies. The Company's registration certificate with the JFSC mandates that the Company "must comply with the applicable sections of the Codes of Practice for Alternative Investment Funds and AIF Services Business".

ASCIL, as the Company's non-EEA alternative investment fund manager, has notified the UK Financial Conduct Authority in accordance with the requirements of the UK National Private Placement Regime of its intention to market the Company (as a non-EEA AIF under the AIFMD) in the UK.

In addition, in accordance with Article 23 of the AIFMD and Rule 3.2.2 of the Financial Conduct Authority ("FCA") Fund Sourcebook, ASCIL is required to make available certain disclosures for potential investors in the Company. These disclosures, in the form of a Pre-Investment Disclosure Document ("PIDD"), are available on the Company's website: [asian-income.co.uk](http://asian-income.co.uk).

### Annual General Meeting

The AGM will be held at 10.30 a.m. on 22 July 2020 at the Company's registered office, 1st Floor, Sir Walter Raleigh House, 48 – 50 Esplanade, St Helier, Jersey JE2 3QB.

On 30 March 2020, the Government of Jersey implemented new measures to manage the Covid-19 pandemic in Jersey that, among other things, restricted public gatherings to no more than two people and required that leaving one's home should only be for essential purposes. These largely reflected the Stay at Home measures implemented by the UK Government on 26 March 2020 in the UK. Since then, the Government of Jersey has established a Safe Exit Framework and there has been some relaxation of the Stay at Home Measures with Islanders now



permitted outside their homes for a maximum of six hours a day where they may meet with five people who are not from their household. Travel to the Island of Jersey is extremely restricted and quarantine requirements are imposed. It is unclear how long these restrictions will be in place and when any further relaxation of measures will occur. The safety, security and health of the Company's shareholders, their guests and the Company's advisers, including the Manager and Investment Manager's personnel, is of paramount importance to the Board. Accordingly, in view of the Government of Jersey's Stay at Home measures, this year the Board has decided not to hold the Company's AGM in May and instead hold the AGM in July.

Therefore this year your Company's AGM will be held at 10:30 a.m. on 22 July 2020 at the Company's registered office, 1<sup>st</sup> Floor, Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey, JE2 3QB.

Should the Government of Jersey Stay at Home measures remain in place in July, Shareholders are strongly discouraged from attending the meeting and indeed entry may be refused if Government of Jersey guidance so requires. Arrangements will be made by the Company to ensure that a minimum number of Shareholders required to form a quorum will attend the meeting in order that the meeting may proceed.

As there is a strong possibility that Shareholders may not be able to attend the AGM in person, where possible, Shareholders are encouraged, in advance of the AGM, to lodge their vote either electronically via the registrar's online portal at [signalshares.com](http://signalshares.com) or by completion and return of a proxy (for direct shareholders) or a letter of direction (for Aberdeen Standard Investment Plan Participants).

Resolutions including the following business will be proposed at the AGM:

#### **Dividend Policy**

As a result of the timing of the payment of the Company's quarterly dividends, the Company's Shareholders are unable to approve a final dividend each year. In line with good corporate governance, the Board therefore proposes to put the Company's dividend policy to Shareholders for approval at the Annual General Meeting and on an annual basis thereafter.

The Company's dividend policy shall be that dividends on the Ordinary Shares are payable quarterly in relation to periods ending March, June, September and December. It is intended that the Company will pay quarterly dividends consistent with the expected annual underlying portfolio yield. The Company has the flexibility in accordance with its Articles to make distributions

from capital. Resolution 4 will seek shareholder approval for the dividend policy.

#### **Authority to Purchase the Company's Shares**

The Directors aim to operate an active discount management policy through the use of Ordinary Share buy backs, should the Company's Shares trade at a significant discount. The objective being to maintain the price at which the Ordinary Shares trade relative to the exclusive of current period income NAV at a discount of no more than 5%. Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing exclusive of current period income NAV (which, subject to shareholder approval at the AGM will be the latest estimated NAV) where the Directors believe such purchases will enhance shareholder value and are likely to assist in narrowing any discount to NAV at which the Ordinary Shares may trade. Subsequent to the period end the Company has purchased for treasury 582,285 Ordinary Shares and at the time of writing the Ordinary Shares are trading at a discount of 12.2% to the prevailing exclusive of income NAV.

Resolution 12, a Special Resolution, will be proposed to renew the Directors' authority to make market purchases of the Company's Ordinary Shares in accordance with the provisions of the Listing Rules of the Financial Conduct Authority. Accordingly, the Company will seek authority to purchase up to a maximum of 26,533,752 Ordinary Shares (or, if less, 14.99% of the issued Ordinary Share capital as at the date of passing of the resolution). The authority being sought will expire on the earlier of 18 months from the date of the resolution or at the conclusion of the Annual General Meeting to be held in 2021 unless such authority is renewed prior to such time. Any Ordinary Shares purchased in this way will be cancelled and the number of Ordinary Shares will be reduced accordingly, or the Ordinary Shares will be held in treasury.

Under Jersey company law, Jersey companies can either cancel shares or hold them in treasury following a buy-back of shares. Repurchased shares will only be held in treasury if the Board considers that it will be in the interest of the Company and for the benefit of all shareholders. Any future sales of Ordinary Shares from treasury will only be undertaken at a premium to the prevailing NAV.

#### **Authority to Allot the Company's Shares**

There are no provisions under Jersey law which confer rights of pre-emption upon the issue or sale of any class of shares in the Company. However, the Company has a premium listing on the London Stock Exchange and is required to offer pre-emption



## Directors' Report continued

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rights to its shareholders. Accordingly, the Articles of Association contain pre-emption provisions similar to those found under UK law in satisfaction of the Listing Rules requirements. Ordinary Shares will only be issued at a premium to the prevailing NAV and, therefore, will not be disadvantageous to existing shareholders. Any future issues of Ordinary Shares will be carried out in accordance with the Listing Rules.

Unless previously disapplied by special resolution, in accordance with the Listing Rules, the Company is required to first offer any new Ordinary Shares or securities (or rights to subscribe for, or to convert or exchange into, Ordinary Shares) proposed to be issued for cash to shareholders in proportion to their holdings in the Company. In order to continue with such Ordinary Share issues, as in previous years, your Board is also proposing that its annual disapplication of the pre-emption rights is renewed so that the Company may continue to issue Ordinary Shares as and when appropriate. Accordingly, Resolution 13, a Special Resolution, proposes a disapplication of the pre-emption rights in respect of 10% of the Ordinary Shares in issue at the date of the passing of the resolution, set to expire on the earlier of 18 months from the date of the resolution or at the conclusion of the Annual General Meeting to be held in 2021.

### Recommendation

Your Board considers Resolutions 12 and 13 to be in the best interests of the Company and its members as a whole. Accordingly, your Board recommends that shareholders should vote in favour of Resolutions 12 and 13 to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial shareholdings which amount to 122,459 Ordinary Shares.

**Charles Clarke,**

**Chairman**

14 May 2020

1st Floor, Sir Walter Raleigh House  
48 – 50 Esplanade, Jersey JE2 3QB

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# Audit Committee's Report

The Audit Committee presents its report for the year ended 31 December 2019.

## Committee Composition

The Audit Committee operates within clearly defined terms of reference and comprises four independent Directors: Mr M Florance (Chairman), Mr I Cadby, Ms N McCabe and Ms K Nowak. The members of the Audit and Risk Committee are each independent and free from any relationship that would interfere with their impartial judgement in carrying out their responsibilities. The Committee has satisfied itself that at least one of its members has recent and relevant financial experience. The Committee met twice during the year. In accordance with the UK Corporate Governance Code provision C.3.1 the Directors' biographies on pages 26 to 28 describe the wide range of recent and relevant financial experience and the Committee's competence in the investment company sector.

The Audit Committee continues to believe that the Company does not require an internal audit function of its own as it delegates its day-to-day operations to third parties from whom it receives internal controls reports.

## Functions of the Committee

The principal function of the Committee is to assist the Board in relation to the reporting of financial information, the review of financial controls and the management of risk. The Committee has defined terms of reference which are reviewed and re-assessed for their adequacy on an annual basis. Copies of the terms of reference are published on the Company's website.

The Committee's main audit review functions are listed below:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Manager and Aberdeen Standard Capital International Limited which acts as Administrator and Company Secretary;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half yearly reports, announcements and related formal statements;

- to review the content of the Annual Report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to meet with the external Auditor to review their proposed audit programme of work and the findings of the Auditor. The Committee uses this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services. (During the period under review, fees amounting to £nil (2018: £12,000 paid to EY) were paid to the Auditor in respect of non-audit services (2018: interim review of Half Yearly Report and Indian tax compliance services were provided by EY) and the Audit Committee did not consider the level of 2018 non-audit services to be excessive. Any future non audit fees will be considered in the light of the requirement to maintain the Auditor's independence;
- to review an annual statement from the Manager detailing the arrangements in place within the Manager whereby its staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor; and
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

## Activities During the Year

The Audit Committee met twice during the year when it considered the Annual Report and the Half-Yearly Report in detail. Representatives of the Standard Life Aberdeen Group's internal audit, risk and compliance departments reported to the Committee at these meetings on matters such as internal control systems, risk and the conduct of the business in the context of its regulatory environment.

## Review of Internal Control Systems and Risk

The Committee considers the internal control systems and a matrix of risks at each of its meetings. There is more detail on the process of these reviews in the Directors' Report.

## Audit Committee's Report continued

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### Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 31 December 2019, the Audit Committee considered the following significant issues, in particular those communicated by the Auditor during its planning and reporting of the year end audit:

#### Valuation of Investments

The valuation of investments is undertaken in accordance with the accounting policies, disclosed in notes 2(a) and 2(e) to the financial statements on page 71. The audit includes independent confirmation of the existence of all investments. 99.1% of the portfolio is considered liquid and quoted in active markets and has been designated as Level 1 within the IFRS 13 fair value hierarchy and can be verified against daily market prices. The remaining 0.9% of the portfolio is not considered to trade in sufficiently active markets and has been reclassified as Level 2. Further details are provided in note 22 on page 90. The portfolio is reviewed and verified by the Investment Manager on a regular basis and management accounts including a full portfolio listing are prepared each month and circulated to all Directors for review. The work undertaken by the Auditor on the valuation of investments is disclosed on pages 61 and 62. The Company uses the services of an independent Custodian (BNP Paribas) to hold the assets of the Company. The investment portfolio is reconciled regularly by the Investment Manager and an independent confirmation is provided to the auditor by the Custodian. The foregoing procedures and processes provide comfort to the Directors in respect of this risk.

#### Recognition of Investment Income

The recognition of investment income is undertaken in accordance with accounting policy note 2(b) to the financial statements on page 71. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the intention of the underlying company. The Investment Manager circulates monthly internal control reports which are reviewed and analysed by the Board. The allocation of material special dividends is also audited by the Auditor. The foregoing procedures and processes provide comfort to the Directors in respect of this risk.

#### Review of Auditor

The Company's Annual Report and financial statements for the year ended 31 December 2019 have been audited by KPMG Channel Islands Limited at a cost of £37,000. The Audit Committee has reviewed the effectiveness of the Auditor including:

- independence – the Auditor discusses with the Audit Committee, at least bi-annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards;
- quality of audit work including the ability to resolve issues in a timely manner – identified issues are satisfactorily and promptly resolved; its communications/presentation of outputs – the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible; and working relationship with management – the Auditor has a constructive working relationship with the Board, the Manager and the Investment Manager; and
- quality of people and service including continuity and succession plans – the audit team is made up of sufficient, suitably experienced staff with provision made for retention of knowledge of the investment company sector on rotation of the partner.

#### Appointment of KPMG Channel Islands Limited as Independent Auditor

In accordance with best practice in regard to audit tendering and in particular the EU legislation in the form of the Statutory Audit Regulation and Directive, the Committee undertook a tender for the Company's external audit in March 2019. Four audit firms were invited to participate and KPMG Channel Islands Limited was selected to be Independent Auditor with the appointment having been approved by shareholders at the AGM held on 15 May 2019.

KPMG Channel Islands Limited has expressed its willingness to be appointed independent auditor to the Company. Resolution 11 which is to be put to shareholders at the forthcoming AGM proposes the reappointment of KPMG Channel Islands Limited as independent auditor for the year ending 31 December 2020 and authorises Directors to determine their remuneration for the year ending 31 December 2020.

**Mark Florance,**  
**Audit Committee Chairman**  
 14 May 2020

1st Floor, Sir Walter Raleigh House  
 48 – 50 Esplanade, Jersey JE2 3QB

# Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

1. a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently voted on at the AGM on 10 May 2017 and subject to approval at the AGM to be held on 22 July 2020;
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
3. an Annual Statement.

The Company's Auditor has not audited any of the disclosures provided in this Directors' Remuneration Report.

## Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of UK corporate governance and the AIC's recommendations regarding the application of those principles to Jersey-domiciled investment companies.

As the Company has no employees and the Board is comprised wholly of non-executive Directors and given the size and nature of the Company, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole.

The Directors are non-executive and their fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum to £200,000 (Article 84). The level of cap may be increased by shareholder resolution from time to time. Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment companies that are similar in size, have a similar capital structure and have a similar investment objective. Fees are reviewed annually against the Company's peer group and, if considered appropriate, increased accordingly.

## Appointment

- The Company only appoints non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and annually thereafter.

- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £27,000).
- No incentive or introductory fees will be paid to encourage a Directorship.
- Directors are entitled to be reimbursed for out of pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

## Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- Mr Young is a director of the Investment Manager. No other Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed upon the giving of three months' notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Remuneration Policy was last approved by shareholders at the AGM on 10 May 2017 and will be proposed for approval at the AGM to be held on 22 July 2020. The Remuneration Policy is reviewed by the Board on an annual basis and it is the Board's intention that this Remuneration Policy, once approved, will apply for the three year period ending 31 December 2022.

## Implementation Report

### Directors' Fees

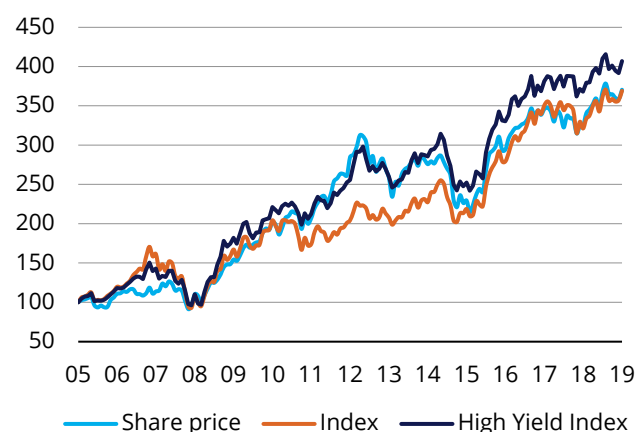
As indicated in the 2018 Annual Report, the Board carried out a review of the level of Directors' fees during the year and concluded that, with effect from 1 January 2019, the amounts should be increased to £39,500 for the Chairman, £32,000 for the

# Directors' Remuneration Report continued

Audit Committee Chairman and £27,000 for other Directors. The Senior Independent Director will continue to receive an extra £1,000 per annum. The fees were last increased with effect from 1 July 2016. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.

## Company Performance

Also during the year the Board carried out a review of investment performance. The following graph illustrates the total shareholder return for a holding in the Company's Ordinary Shares as compared to the MSCI AC Asia Pacific ex Japan Index (currency adjusted) and the MSCI AC Asia Pacific ex Japan High Dividend Yield Index (currency adjusted) for the period since the inception of the Company (figures rebased to 100 at inception). Given the Company's investment objective these are the most appropriate indices against which to measure the Company's performance. Shareholders should note that the Company's portfolio is constructed without reference to any stockmarket index. It is likely, therefore, that there will be periods when the Company's performance will be quite unlike that of any index and there can be no assurance that such divergence will be to the Company's advantage.



## Statement of Voting at General Meeting

At the Company's last AGM, held on 15 May 2019, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) in respect of the year ended 31 December 2018 and the following proxy votes were received on the resolutions:

Resolution	For* %	Against %	Withheld %
(2) Receive and Adopt Directors' Remuneration Report	69.3m (99.3%)	476,606 (0.7%)	108,041

\* Including discretionary votes

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 December 2019 will be proposed at the Annual General Meeting.

## Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are below.

## Fees Payable

The Directors who served in the year received the following fees:

Director	2019 £	2018 £
C Clarke <sup>A</sup> (Chairman and highest paid Director)	39,500	35,071
K Nowak <sup>B</sup>	28,000	26,126
I Cadby	27,000	25,500
M Florance <sup>C</sup>	32,000	28,319
N. McCabe <sup>D</sup>	27,000	15,973
H Young	n/a	6,375
P Arthur <sup>E</sup>	-	14,114
<b>Total</b>	<b>151,978</b>	<b>170,568</b>

A Mr Clarke was appointed Chairman and resigned as Audit Committee Chairman on 16 May 2018

B Ms Nowak was appointed Senior Independent Director on 16 May 2018

C Mr Florance was appointed Audit Committee Chairman on 16 May 2018

D Ms McCabe was appointed to the Board on 16 May 2018

E Mr Arthur retired from the Board on 16 May 2018

Fees are pro-rated where a change takes place during a financial year. Of the fees disclosed above £nil (2018 - £6,375) was payable to third parties in respect of making available the services of Directors. These fees were in respect of Mr H Young (assigned to Aberdeen Standard Investments (Asia) Limited). With effect from 1 April 2018 Mr Young agreed to waive his entitlement to receive fees from the Company.

### Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including connected persons) at 31 December 2019 and 1 January 2019 had no interest in the Ordinary Share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

Director	31 December 2019	1 January 2019
	Ordinary Shares	Ordinary Shares
C Clarke	60,000	60,000
I Cadby	7,000	7,000
M Florance	5,107	5,000
N McCabe	5,055	5,000
K Nowak	17,797	17,797
H Young	27,500	27,500

On 24 February 2020 the interest of Mr Florance increased to 5,109 Ordinary Shares as a result of dividend reinvestment. Apart from this transaction, the above Directors' Ordinary Share interests were unchanged at 14 May 2020, being the nearest practicable date prior to the signing of this Report.

### Annual Statement

On behalf of the Board, I, Charles Clarke, Chairman, confirm that the Report on Remuneration Policy and the above Remuneration Implementation Report summarises, as applicable, for the year to 31 December 2019:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

The Directors' Remuneration Report was approved by the Board of Directors on 14 May 2020 and signed on its behalf by:

**Charles Clarke,**  
**Chairman**  
 14 May 2020



# Statement of Directors' Responsibilities

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The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the IASB and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the

company's website. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors who hold office at the date of approval of this Director's Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and that each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the Strategic Report and Directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

**Charles Clarke,**  
**Chairman**

14 May 2020

1st Floor, Sir Walter Raleigh House  
48 – 50 Esplanade, Jersey JE2 3QB

*The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, but not the content of any information included on the website that has been prepared or issued by third parties. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions*

# Independent Auditor's Report to the Members of Aberdeen Asian Income Fund Limited

## Our opinion is unmodified

We have audited the financial statements of Aberdeen Asian Income Fund Limited (the "Company"), which comprise the Balance Sheet as at 31 December 2019, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

### In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board ("IASB"); and
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter is as follows:

	The risk	Our response
Valuation of investments held at fair value through profit or loss (the "investments")	<b>Basis:</b> The Company invests in a diversified portfolio of investments comprising listed equities (including funds) - 99.1%, and bonds - 0.9%. These investments are measured at fair value through profit or loss.	Our audit procedures included:
Investments held at fair value through profit or loss £435,984,000 (2018: £416,173,000)	The valuation of the Company's investments is the main driver of the net asset value of the Company, and is a significant area of our audit.	<b>Internal controls:</b> We evaluated the design and implementation of the controls over the valuation of investments.
Refer to note 2(e) of the accounting policies, and notes 10 and 18 of the financial statements.	The valuation of the Company's investments is also key to the calculation of gains/(losses) on investments held at fair value through profit or loss, and the calculation of total return, which is an Alternative Performance Measure disclosed in the Company's annual report.	<b>Use of KPMG valuation specialists:</b> We engaged our valuation specialists to perform the following:  • Agree the fair value of all investments in the Company's portfolio to quoted exchange prices as at 31 December 2019. Independent reference prices were determined for all except one security (a defaulted bond with a reported fair value of £nil), for which insufficient market data was available.  • Undertook an assessment of the level of trading activity for each investment, to develop an independent expectation of the fair value hierarchy.

# Independent Auditor's Report to the Members of Aberdeen Asian Income Fund Limited *Continued*

The risk	Our response
<b>Risk:</b> Should the reported value of the Company's investments diverge from fair value, the Company's reported net asset value, gains/(losses) on investments held at fair value through profit or loss, and total return would be misstated.	<b>Challenging management's judgements:</b> For the one security noted above which was not tested by our valuation specialist, we assessed the judgments made by management in estimating a £nil fair value as at the balance sheet date.  <b>Assessing disclosures:</b> We assessed the Company's disclosures in relation to valuation of investments, specifically the accounting policies described in note 2(e), the judgments and estimates made by management, and fair value disclosures in note 18, for compliance with IFRS.

## Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £4,410,000, determined with reference to a benchmark of total assets of £441,010,000, of which it represents approximately 1.0%.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £220,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

## We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in this respect.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Disclosures of emerging and principal risks and longer term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement (pages 23-24) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the Viability Statement (pages 23-24) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report to you in these respects.

## We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

## Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 58, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Brian Bethell,**

For and on behalf of KPMG Channel Islands Limited  
Chartered Accountants and Recognised Auditors  
Jersey,

14 May 2020

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# Financial Statements

The 10.5% rise in your Company's NAV for the year ended 31 December 2019 was in line with the MSCI All Countries Asia Pacific ex Japan High Dividend Yield Index's 10.6% gain over the same period but behind the 14.9% return on the MSCI All Countries Asia Pacific ex Japan Index.

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# Statement of Comprehensive Income

	Notes	Year ended 31 December 2019			Year ended 31 December 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Investment income</b>	4						
Dividend income		20,516	–	20,516	20,674	–	20,674
Interest income		406	–	406	382	–	382
Traded option premiums		74	–	74	–	–	–
<b>Total revenue</b>	3	20,996	–	20,996	21,056	–	21,056
Gains/(losses) on investments held at fair value through profit or loss	10	–	24,759	24,759	–	(36,216)	(36,216)
Net currency gains/(losses)		–	934	934	–	(1,748)	(1,748)
		20,996	25,693	46,689	21,056	(37,964)	(16,908)
<b>Expenses</b>							
Investment management fee	5	(1,372)	(2,059)	(3,431)	(1,413)	(2,119)	(3,532)
Other operating expenses	6	(951)	–	(951)	(1,004)	–	(1,004)
<b>Profit/(loss) before finance costs and tax</b>		18,673	23,634	42,307	18,639	(40,083)	(21,444)
Finance costs	7	(429)	(643)	(1,072)	(352)	(528)	(880)
<b>Profit/(loss) before tax</b>		18,244	22,991	41,235	18,287	(40,611)	(22,324)
Tax expense	2(d)	(1,470)	(68)	(1,538)	(1,525)	–	(1,525)
<b>Profit/(loss) for the year</b>		16,774	22,923	39,697	16,762	(40,611)	(23,849)
<b>Earnings per Ordinary share (pence)</b>	9	9.42	12.87	22.29	9.25	(22.42)	(13.17)

The Company does not have any income or expense that is not included in profit/(loss) for the year, and therefore the “Profit/(loss) for the year” is also the “Total comprehensive income for the year”.

All of the profit/(loss) and total comprehensive income is attributable to the equity holders of Aberdeen Asian Income Fund Limited. There are no non-controlling interests.

The total column of this statement represents the Statement of Comprehensive Income of the Company, prepared in accordance with IFRS. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

# Balance Sheet

	Notes	As at 31 December 2019 £'000	As at 31 December 2018 £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	10	435,984	416,173
<b>Current assets</b>			
Cash and cash equivalents		3,458	3,622
Other receivables	11	1,568	2,175
		5,026	5,797
<b>Creditors: amounts falling due within one year</b>			
Bank loans	12(a)	(25,990)	–
Other payables	12(b)	(1,618)	(2,842)
		(27,608)	(2,842)
<b>Net current liabilities</b>		(22,582)	2,955
<b>Total assets less current liabilities</b>		413,402	419,128
<b>Creditors: amounts falling due after more than one year</b>			
Bank loans	12(a)	(9,999)	(36,929)
<b>Net assets</b>		<b>403,403</b>	<b>382,199</b>
<b>Stated capital and reserves</b>			
Stated capital	14	194,933	194,933
Capital redemption reserve		1,560	1,560
Capital reserve	15	191,412	170,680
Revenue reserve		15,498	15,026
<b>Equity shareholders' funds</b>		<b>403,403</b>	<b>382,199</b>
<b>Net asset value per Ordinary share (pence)</b>	16	<b>227.15</b>	<b>213.96</b>

The financial statements on pages 66 to 91 were approved by the Board of Directors and authorised for issue on 14 May 2020 and were signed on its behalf by:

**Charles Clarke**  
Chairman

The accompanying notes are an integral part of the financial statements.

# Statement of Changes in Equity

## For the year ended 31 December 2019

	Note	Stated capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Retained earnings £'000	Total £'000
Opening balance		194,933	1,560	170,680	15,026	-	382,199
Buyback of Ordinary shares for treasury	14	-	-	(2,191)	-	-	(2,191)
Profit for the year		-	-	-	-	39,697	39,697
Transferred from retained earnings to capital reserve <sup>A</sup>		-	-	22,923	-	(22,923)	-
Transferred from retained earnings to revenue reserve		-	-	-	16,774	(16,774)	-
Dividends paid	8	-	-	-	(16,302)	-	(16,302)
<b>Balance at 31 December 2019</b>		<b>194,933</b>	<b>1,560</b>	<b>191,412</b>	<b>15,498</b>	<b>-</b>	<b>403,403</b>

## For the year ended 31 December 2018

	Note	Stated capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Retained earnings £'000	Total £'000
Opening balance		194,933	1,560	220,779	14,597	-	431,869
Buyback of Ordinary shares for treasury	14	-	-	(9,488)	-	-	(9,488)
Loss for the year		-	-	-	-	(23,849)	(23,849)
Transferred from retained earnings to capital reserve <sup>A</sup>		-	-	(40,611)	-	40,611	-
Transferred from retained earnings to revenue reserve		-	-	-	16,762	(16,762)	-
Dividends paid	8	-	-	-	(16,333)	-	(16,333)
<b>Balance at 31 December 2018</b>		<b>194,933</b>	<b>1,560</b>	<b>170,680</b>	<b>15,026</b>	<b>-</b>	<b>382,199</b>

<sup>A</sup> Represents the capital profit attributable to equity shareholders per the Statement of Comprehensive Income.

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

The stated capital in accordance with Companies (Jersey) Law 1991 Article 39A is £260,822,000 (2018 – £260,822,000). These amounts include proceeds arising from the issue of shares by the Company but exclude the cost of shares purchased for cancellation or treasury by the Company.

The accompanying notes are an integral part of the financial statements.

# Cash Flow Statement

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Cash flows from operating activities</b>			
Dividend income received		19,104	19,816
Interest income received		423	783
Derivative income received		74	-
Investment management fee paid		(3,409)	(2,688)
Other cash expenses		(890)	(1,044)
<b>Cash generated from operations</b>		15,302	16,867
Interest paid		(1,094)	(845)
Overseas taxation suffered		(1,402)	(1,525)
<b>Net cash inflows from operating activities</b>		12,806	14,497
<b>Cash flows from investing activities</b>			
Purchases of investments		(63,113)	(62,918)
Sales of investments		68,617	73,166
<b>Net cash inflow from investing activities</b>		5,504	10,248
<b>Cash flows from financing activities</b>			
Purchase of own shares for treasury	14	(2,166)	(9,459)
Dividends paid	8	(16,302)	(16,333)
<b>Net cash outflow from financing activities</b>		(18,468)	(25,792)
<b>Net decrease in cash and cash equivalents</b>		(158)	(1,047)
Cash and cash equivalents at the start of the year		3,622	4,872
Effect of foreign exchange on cash and cash equivalents		(6)	(203)
<b>Cash and cash equivalents at the end of the year</b>	2	3,458	3,622

Non-cash transactions during the year comprised stock dividends of £1,091,000 (2018 – £509,000) (Note 4).

The accompanying notes are an integral part of the financial statements.



# Notes to the Financial Statements

## For the year ended 31 December 2019

1. **Principal activity.** The Company is a closed-end investment company incorporated in Jersey, with its Ordinary shares being listed on the London Stock Exchange. The Company's principal activity is investing in securities in the Asia Pacific region.

2. **Accounting policies**

(a) **Basis of preparation.** The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Reporting Interpretations Committee of the IASB ("IFRIC").

The financial statements have also been prepared in accordance with the Statement of Recommended Practice (SORP), 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in October 2019.

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and, for the above reasons, they continue to adopt the going concern basis in preparing the financial statements.

**Significant accounting judgements and estimates.** The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting judgements and estimates which requires management to exercise its judgement in the process of applying the accounting policies and are continually evaluated. These judgements include the assessment of the Company's ability to continue as a going concern. Another area requiring significant judgement and assumption in the financial statements is the determination of the fair value hierarchy classification of quoted bonds which have been assessed as being Level 2 due to not being considered to trade in active markets. The Directors believe there are no significant estimates contained within the financial statements as all investments are valued at quoted bid price and all other assets and liabilities are valued at amortised cost.

The financial statements are prepared on a historical cost basis, except for investments that have been measured at fair value through profit or loss ("FVTPL") and financial liabilities that have been measured at amortised cost.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

**New and amended accounting standards and interpretations.** The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The adoption of these standards and amendments did not have a material impact on the financial statements:

IFRS 9 Amendment – Prepayment Features with Negative Compensation

IAS 12 Amendment (AI 2015–17) – Income tax consequences of payments on financial instruments classifies as equity

IAS 23 Amendment (AI 2015–17) – Borrowing costs eligible for capitalisation

IFRIC 23 – Uncertainty over Income Tax Treatments

**Future amendments to standards and interpretations.** At the date of authorisation of these financial statements, the following amendments to Standards and Interpretations were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2020:

IAS 1 and IAS 8 Amendments – Definition of Material

IFRS 9, IAS 39 and IFRS 7 Amendments – Interest Rate Benchmark Reform

The Company intends to adopt the Standards and Interpretations in the reporting period when they become effective and the Board does not anticipate that the adoption of these Standards and Interpretations in future periods will materially impact the Company's financial results in the period of initial application although there may be revised presentations to the Financial Statements and additional disclosures.

- (b) **Income.** Dividend income receivable on equity shares is recognised on the ex-dividend date. Dividend income on equity shares where no ex-dividend date is quoted is brought into account when the Company's right to receive payment is established. Where the Company has elected to receive dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Special dividends are credited to capital or revenue according to their circumstances. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of Comprehensive Income.

The fixed returns on debt securities and non-equity shares, as well as interest receivable from cash and short-term deposits, are recognised using the accruals basis.

- (c) **Expenses.** All expenses, with the exception of interest expenses, which are recognised using the effective interest method, are accounted for on an accruals basis. Expenses are charged through the revenue column of the Statement of Comprehensive Income except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital and separately identified and disclosed in note 10;
- expenses (including share issue costs) are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated; and
- the Company charges 60% of investment management fees and finance costs to capital, in accordance with the Board's expected long term return in the form of capital gains and income respectively from the investment portfolio of the Company.

- (d) **Taxation.** Profits arising in the Company for the year ended 31 December 2019 will be subject to Jersey income tax at the rate of 0% (2018 – 0%).

In some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Company presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income.

- (e) **Investments.** The Company has adopted the classification and measurement provisions of IFRS 9 'Financial Instruments' which replaced IAS 39 'Financial Instruments: Recognition and Measurement'. It makes changes to classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

The adoption of IFRS 9 in the prior year did not result in any change to the classification or measurement of financial instruments in either the current or prior year. The Company's investments remain classified as FVTPL. On adoption of IFRS 9, the investments are classified as FVTPL.

The Company classifies its investments based on their contractual cash flow characteristics and the Company's business model for managing the assets. The business model, which is the determining feature for debt instruments, is such that the portfolio of investments is managed, and performance is evaluated, on a fair value basis. The Manager is also compensated based on the fair value of the Company's assets. Equity instruments are classified as FVTPL because cash flows resulting from such instruments do not represent payments of principal and interest on the principal outstanding, and therefore they fail the contractual cash flows test. Consequently, all investments are measured at FVTPL.

Purchases and sales of investments are recognised on a trade date basis. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs.

The fair value of the financial assets is based on their quoted bid price at the reporting date, without deduction for any estimated future selling costs.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as "Gains/(losses) on investments held at fair value through profit or loss". Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

## Notes to the Financial Statements continued

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- (f) **Cash and cash equivalents.** Cash comprises cash held at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in values.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash at bank net of any outstanding bank overdrafts.

- (g) **Other receivables.** Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. As such they are measured at amortised cost. Other receivables do not carry any interest, they have assessed for any expected credit losses over their lifetime due to their short-term nature.
- (h) **Other payables.** The Company has adopted the simplified approach under IFRS9. Other payables are non interest bearing and are stated at amortised cost.
- (i) **Dividends payable.** Interim dividends payable are recognised in the financial statements in the period in which they are paid.

- (j) **Nature and purpose of reserves**

**Capital redemption reserve.** The capital redemption reserve arose when Ordinary shares were redeemed, at which point an amount equal to £1 per share of the Ordinary share capital was transferred from the Statement of Comprehensive Income to the capital redemption reserve. Following a law amendment in 2008, the Company is no longer required to make a transfer. Although the transfer from the Statement of Comprehensive Income is no longer required, the amount remaining in the capital redemption reserve is not distributable in accordance with the undertaking provided by the Board in the launch Prospectus.

**Capital reserve.** This reserve reflects any gains or losses on investments realised in the period along with any increases and decreases in the fair value of investments held that have been recognised in the Statement of Comprehensive Income. This reserve also reflects any gains realised when Ordinary shares are issued at a premium to £1 per share and any losses suffered on the redemption of Ordinary shares for cancellation at a value higher than £1 per share.

When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from the capital reserve. Should these shares be sold subsequently, the amount received is recognised in the capital reserve and the resulting surplus or deficit on the transaction remains in the capital reserve.

**Revenue reserve.** This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve is the principal reserve which is utilised to fund dividend payments to shareholders.

- (k) **Foreign currency.** Monetary assets and liabilities denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the reporting date. The financial statements are presented in sterling, which is the Company's functional and presentation currency. The Company's performance is evaluated and its liquidity is managed in sterling. Therefore sterling is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Gains or losses arising from a change in exchange rates subsequent to the date of a transaction are included as a currency gain or loss in revenue or capital in the Statement of Comprehensive Income, depending on whether the gain or loss is of a revenue or capital nature.
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- (l) **Borrowings.** The Company has adopted the classification and measurement provisions of IFRS 9 'Financial Instruments'. Borrowings are measured at amortised cost using the effective interest rate method. No impact on the classification or measurement of borrowings has arisen due to the adoption of IFRS 9 in the prior year.

Borrowings are stated at the amount of the net proceeds immediately after draw down plus cumulative finance costs less cumulative payments. The finance cost of borrowings is allocated to years over the term of the debt at a constant rate on the carrying amount and charged 40% to revenue and 60% to capital to reflect the Company's investment policy and prospective revenue and capital growth.

- (m) **Share capital.** The Company's Ordinary shares are classified as equity as the Company has full discretion on repurchasing the Ordinary shares and on dividend distributions.

Issuance, acquisition and resale of Ordinary shares are accounted for as equity transactions. Upon issuance of Ordinary shares, the consideration received is included in equity.

Transaction costs incurred by the Company in acquiring or selling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale, issuance or cancellation of the Company's own instruments.

- (n) **Traded options.** The Company may enter into certain derivative contracts (e.g. options) to gain exposure to the market. The option contracts are classified as fair value through profit or loss and accounted for as separate derivative contracts and are therefore shown in other assets or other liabilities at their fair value i.e. market value. The premium received on the open position is recognised over the life of the option in the revenue column of the Statement of Comprehensive Income along with fair value changes in the open position which occur due to the movement in underlying securities. Losses realised on the exercise of the contracts are recorded in the capital column of the Statement of Comprehensive Income as they arise. Where the Company enters into derivative contracts to manage market risk, gains or losses arising on such contracts are recorded in the capital column of the Statement of Comprehensive Income.

3. **Segmental information.** The Company is organised into one main operating segment, which invests in equity securities and debt instruments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The following table analyses the Company's operating income by each geographical location. The basis for attributing the operating income is the place of incorporation of the instrument's counterparty.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Asia Pacific region	19,146	19,372
United Kingdom	1,850	1,684
	<b>20,996</b>	<b>21,056</b>

# Notes to the Financial Statements continued

## 4. Investment income

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Income from investments</b>		
Overseas dividend income	17,603	18,495
UK dividend income	1,822	1,670
Stock dividend income	1,091	509
	20,516	20,674
<b>Other income</b>		
Bond interest	378	368
Deposit interest	28	14
Traded option premiums	74	–
	480	382
<b>Total revenue</b>	<b>20,996</b>	<b>21,056</b>

During the year, the Company was entitled to premiums totalling £74,000 (2018 – £nil) in exchange for entering into option contracts. At the year end there were no (2018 – nil) open positions. Losses realised on the exercise of derivative transactions are disclosed in note 10.

## 5. Investment management fee

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,372	2,059	3,431	1,413	2,119	3,532

The Company has an agreement with Aberdeen Standard Capital International Limited ("ASCIL") for the provision of management services. This agreement has been sub-delegated to Aberdeen Standard Investments (Asia) Limited ("ASI Asia").

The investment management fee is payable quarterly in arrears and is based on an annual amount of 0.85% of the net asset value of the Company valued monthly and on the average of the previous five monthly valuation points. The balance due to ASCIL at the year end was £1,168,000 (2018 – £1,146,000). The investment management fees are charged 40% to revenue and 60% to capital in line with the Board's expected long term returns.



## 6. Other operating expenses

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Directors' fees	154	151
Promotional activities	206	217
Auditor's remuneration:		
– statutory audit	37	34
– interim accounts review	–	6
– tax services	–	6
Custody fees	126	158
Secretarial and administration fee	134	134
Other	294	298
	<b>951</b>	<b>1,004</b>

Promotional activities in relation to the Company's participation in the Aberdeen Standard Investment Trust share plan and ISA are provided by Aberdeen Asset Managers Limited ("AAML"). The total fees paid are based on an annual rate of £250,000 until 31 March 2018 and an annual rate of £206,000 thereafter (2018 – £206,000). An amount of £52,000 (2018 – £52,000) was payable to AAML at the year end.

In addition, ASCIL is entitled to an annual company secretarial and administration fee of £134,000 (2018 – £134,000). An amount of £67,000 (2018 – £34,000) was payable to ASCIL at the year end.

No fees have been paid to the Company's auditor during the period other than those listed here.

## 7. Finance costs

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans	429	643	1,072	352	528	880

Finance costs are charged 40% to revenue and 60% to capital as disclosed in the accounting policies.

## 8. Dividends on Ordinary equity shares

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Fourth interim dividend 2018 – 2.40p per Ordinary share (2017 – 2.25p)	4,286	4,119
First interim dividend 2019 – 2.25p per Ordinary share (2018 – 2.25p)	4,012	4,099
Second interim dividend 2019 – 2.25p per Ordinary share (2018 – 2.25p)	4,004	4,073
Third interim dividend 2019 – 2.25p per Ordinary share (2018 – 2.25p)	4,000	4,042
	<b>16,302</b>	<b>16,333</b>

## Notes to the Financial Statements continued

The table below sets out the total dividends declared in respect of the financial year. The revenue available for distribution by way of dividend for the year is £16,774,000 (2018 – £16,762,000).

	2019 £'000	2018 £'000
First interim dividend 2019 – 2.25p per Ordinary share (2018 – 2.25p)	4,012	4,099
Second interim dividend 2019 – 2.25p per Ordinary share (2018 – 2.25p)	4,004	4,073
Third interim dividend 2019 – 2.25p per Ordinary share (2018 – 2.25p)	4,000	4,042
Fourth interim dividend 2019 – 2.50p per Ordinary share (2018 – 2.40p)	4,438	4,286
	<b>16,454</b>	<b>16,500</b>

The fourth interim dividend for 2019, amounting to £4,438,000 (2018 – fourth interim dividend of £4,286,000), is not recognised as a liability in these financial statements as it was announced and paid after 31 December 2019.

### 9. Earnings per share

Ordinary shares. The earnings per Ordinary share is based on the profit after taxation of £39,697,000 (2018 – loss £23,849,000) and on 178,087,642 (2018 – 181,141,360) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year excluding Ordinary shares held in treasury.

The earnings per Ordinary share detailed above can be further analysed between revenue and capital as follows:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue	Capital	Total	Revenue	Capital	Total
Net profit/(loss) (£'000)	16,774	22,923	39,697	16,762	(40,611)	(23,849)
Weighted average number of Ordinary shares in issue <sup>A</sup>	178,087,642			181,141,360		
Return per Ordinary share (pence)	9.42	12.87	22.29	9.25	(22.42)	(13.17)

<sup>A</sup> Calculated excluding shares held in treasury.

## 10. Investments held at fair value through profit or loss

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Opening book cost	324,939	319,010
Opening investment holding gains	91,234	142,622
Opening fair value	416,173	461,632
<b>Analysis of transactions made during the year</b>		
Purchases at cost	62,842	64,799
Sales proceeds received	(67,790)	(74,042)
Gains/(losses) on investments <sup>A</sup>	24,759	(36,216)
Closing fair value	435,984	416,173
	£'000	£'000
Closing book cost	333,903	324,939
Closing investment gains	102,081	91,234
Closing fair value	435,984	416,173

<sup>A</sup> Includes losses realised on the exercise of traded options of £236,000 (2018 – £nil) which are reflected in the capital column of the Statement of Comprehensive Income in accordance with accounting policy 2(n). Premiums received from traded options totalled £74,000 (2018 – £nil) per note 4.

The company received £67,790,000 (2018 – £74,042,000) from investments sold in the year. The book cost of these investments when they were purchased was £53,878,000 (2018 – £58,870,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>The portfolio valuation</b>		
Listed on recognised stock exchanges:		
Equities – UK	21,153	21,288
Equities – overseas	410,952	385,336
Bonds – overseas	3,879	9,549
<b>Total</b>	<b>435,984</b>	<b>416,173</b>

## Notes to the Financial Statements continued

**Transaction costs.** During the year expenses were incurred in acquiring or disposing of investments held at fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on financial investments held at fair value through profit or loss in the Statement of Comprehensive Income. The total costs were as follows:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Purchases	73	92
Sales	71	67
	<b>144</b>	<b>159</b>

The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

### 11. Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts due from brokers	49	876
Prepayments and accrued income	1,519	1,299
	<b>1,568</b>	<b>2,175</b>

None of the above assets are past their due date or impaired.

### 12. Creditors: amounts falling due within one year

(a) Bank loans. At the year end, the Company had the following unsecured bank loans:

	2019			2018		
	Interest rate %	Local currency principal amount	Carrying amount £'000	Interest rate %	Local currency principal amount	Carrying amount £'000
<b>Unsecured bank loans repayable within one year:</b>						
Hong Kong Dollar	3.305	212,500,000	20,587	-	-	-
United States Dollar	2.686	7,157,751	5,403	-	-	-
<b>Total</b>			<b>25,990</b>			<b>-</b>
<b>Unsecured bank loans repayable between one and five years:</b>						
Hong Kong Dollar	-	-	-	3.053	212,500,000	21,311
United States Dollar	-	-	-	3.396	7,158,000	5,620
Sterling	2.179	10,000,000	9,999	2.179	10,000,000	9,998
<b>Total</b>			<b>9,999</b>			<b>36,929</b>

At the date of signing this report, the loans of HK\$212,500,000 and US\$7,157,751 were drawn down at fixed interest rates of 3.13774% and 2.2135% respectively under a new £40 million multi currency revolving loan facility agreement with Scotiabank Europe PLC which runs until 6 April 2021. This facility agreement replaced the existing £40 million multi currency revolving loan facility agreement with Scotiabank (Ireland) Designated Activity Company. On 3 March 2018 the £10,000,000 loan with Scotiabank Europe PLC matured and was replaced with a three year loan of £10,000,000 with Scotiabank Europe PLC at an interest rate of 2.179%. Financial covenants contained within the relevant loan agreements provide, inter alia, that the Company's NAV shall at no time be less than £185 million and that adjusted NAV coverage shall at no time be less than 4.0 to 1.0. At 31 December 2019 net assets were £403 million and borrowings were 8.9% thereof. The Company has complied with all financial covenants throughout the year.

	2019 £'000	2018 £'000
<b>(b) Other payables</b>		
Amounts due to brokers for purchase of shares for treasury	54	29
Amounts due to brokers	–	1,372
Investment management fees	1,168	1,146
Other amounts due	396	295
	<b>1,618</b>	<b>2,842</b>

### 13. Analysis of changes in financing during the year

	2019 £'000	2018 £'000
Opening balance at 1 January	36,929	35,386
Foreign exchange movements	(940)	1,543
<b>Closing balance at 31 December</b>	<b>35,989</b>	<b>36,929</b>

### 14. Stated capital

	Ordinary shares (number)	Treasury shares (number)	Total shares (number)	£'000
<b>Authorised Ordinary shares of no par value</b>	<b>Unlimited</b>	<b>Unlimited</b>	<b>Unlimited</b>	<b>Unlimited</b>
Issued and fully paid Ordinary shares of no par value				
At 31 December 2018	178,630,688	16,302,701	194,933,389	194,933
Shares purchased for treasury	(1,038,713)	1,038,713	–	–
<b>At 31 December 2019</b>	<b>177,591,975</b>	<b>17,341,414</b>	<b>194,933,389</b>	<b>194,933</b>

During the year 1,038,713 (2018 – 4,651,533) Ordinary shares were bought back by the Company for holding in treasury at a total cost of £2,191,000 (2018 – £9,488,000). At the year end 17,341,414 (2018 – 16,302,701) Ordinary shares were held in treasury, which represents 8.90% (2018 – 8.36%) of the Company's total issued share capital at 31 December 2019.

For each Ordinary share issued £1 is allocated to stated capital, with the balance taken to the capital reserve.

The Ordinary shares give shareholders the entitlement to all of the capital growth in the Company's assets and to all the income from the Company that is resolved to be distributed.

Since the year end a further 582,285 shares have been bought back for holding in treasury at a cost of £1,193,000.

## Notes to the Financial Statements continued

**Voting and other rights.** In accordance with the Articles of Association of the Company, on a show of hands, every member (or duly appointed proxy) present at a general meeting of the Company has one vote; and, on a poll, every member present in person or by proxy shall have one vote for each Ordinary share held.

The Ordinary shares carry the right to receive all dividends declared by the Company or the Directors.

On a winding-up, provided the Company has satisfied all of its liabilities, holders of Ordinary shares are entitled to all of the surplus assets of the Company.

### 15. Capital reserve

	2019 £'000	2018 £'000
At 1 January	170,680	220,779
Net currency gains/(losses)	934	(1,748)
Movement in unrealised fair value	10,847	(51,388)
Profit on realisation of investments	13,912	15,172
Costs charged to capital	(2,770)	(2,647)
Buyback of Ordinary shares for treasury	(2,191)	(9,488)
<b>At 31 December</b>	<b>191,412</b>	<b>170,680</b>

### 16. Net asset value per share

Ordinary shares. The net asset value per Ordinary share and the net asset values attributable to Ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	Net asset value per share 2019 p	Net asset values attributable 2019 £'000	Net asset value per share 2018 p	Net asset values attributable 2018 £'000
Ordinary shares	227.15	403,403	213.96	382,199

The net asset value per Ordinary share is based on 177,591,975 (2018 – 178,630,688) Ordinary shares, being the number of Ordinary shares in issue at the year end excluding Ordinary shares held in treasury.

### 17. Analysis of changes in net debt

	At 31 December 2018 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 December 2019 £'000
Cash and short term deposits	3,622	(6)	(158)	–	3,458
Debt due within one year	–	–	–	(25,990)	(25,990)
Debt due after more than one year	(36,929)	939	–	25,991	(9,999)
	<b>(33,307)</b>	<b>933</b>	<b>(158)</b>	<b>1</b>	<b>(32,531)</b>



	At 31 December 2017 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 December 2018 £'000
Cash and short term deposits	4,872	(203)	(1,047)	-	3,622
Debt due within one year	(35,386)	(1,231)	-	36,617	-
Debt due after more than one year	-	-	-	(36,929)	(36,929)
	(30,514)	(1,434)	(1,047)	(312)	(33,307)

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

18. **Financial instruments.** The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, bank loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

Subject to Board approval, the Company also has the ability to enter into derivative transactions, in the form of traded options, for the purpose of enhancing income returns and portfolio management. During the year, the Company entered into certain derivative contracts. As disclosed in note 4, the premium received in respect of options written in the year was £74,000 (2018 – £nil). Positions closed during the year realised a loss of £236,000 (2018 – £nil). The realised loss was caused by the underlying price on exercise being higher than the exercise price for call options and lower than the exercise price for put options. The largest position in derivative contracts held during the year at any given time was £52,000 (2018 – £nil). The Company had no open positions in derivative contracts at 31 December 2019.

The Board has delegated the risk management function to ASCIL under the terms of its management agreement with ASCIL (further details of which are included under note 5). The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors, with the exception of short-term borrowings.

**Risk management framework.** The directors of ASCIL collectively assume responsibility for the Manager's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

ASCIL is a fully integrated member of the Standard Life Aberdeen plc Group (the "Group"), which provides a variety of services and support to ASCIL in the conduct of its business activities, including in the oversight of the risk management framework for the Company. ASCIL has delegated the day to day administration of the investment policy to Aberdeen Standard Investments (Asia) Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). ASCIL has delegated responsibility for monitoring and oversight of the Investment Manager and other members of the Group which carry out services and support to ASCIL.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("Shield").

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group Chief Executive Officer and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

## Notes to the Financial Statements continued

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The Group's corporate governance structure is supported by several committees to assist the board of directors of Standard Life Aberdeen plc, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

**Risk management.** The main risks arising from the Company's financial instruments are (i) market risk (comprising interest rate risk, currency risk and equity price risk), (ii) liquidity risk, (iii) credit risk and (iv) gearing risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing each of these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors.

**(i) Market risk.** The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, currency risk and equity price risk.

**Interest rate risk.** Interest rate risk is the risk that interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- interest payable on the Company's variable rate borrowings.

### Management of the risk

**Financial assets.** Although the majority of the Company's financial assets comprise equity shares which neither pay interest nor have a stated maturity date, at the year end the Company had two (2018 – three) holdings in fixed rate overseas corporate bonds, G3 Exploration valued is at £nil (2018 – £4,413,000) and ICICI Bank at £3,879,000 (2018 – £4,411,000). Bond prices are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short-term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee entity. G3 Exploration appointed joint liquidators during December 2019. Using an adjusted net asset value model the Board of Directors decided to write down the value of G3 Exploration to £nil due to concerns over liquidity, credit worthiness, exit opportunities and the timing of any potential receipts.

Returns from bonds are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

**Financial liabilities.** The Company primarily finances its operations through use of equity, retained profits and bank borrowings. On 3 March 2018 the Company renewed a three-year £10 million facility with Scotiabank Europe PLC which was in addition to the existing unsecured three year £40 million multi currency revolving facility with Scotiabank (Ireland) Limited and details of the terms and conditions of the loans are disclosed in note 12. Interest is due on the Scotiabank Europe PLC loan quarterly with the next interest payment being due on 2 March 2020. The Scotiabank Europe PLC loan is included in creditors falling due in more than one year but no more than five years. Interest is due on Scotiabank (Ireland) Limited loans at the maturity date, being 13 January 2020 and 12 March 2020 (loans have been subsequently rolled over, see note 12 for further details). The Scotiabank (Ireland) Limited loans are included in creditors falling due within one year.

The Board actively monitors its bank borrowings. A decision on whether to roll over its existing borrowings will be made prior to their maturity dates, taking into account the Company's ability to draw down fixed, long-term borrowings.

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The interest rate profile of the Company (excluding short term debtors and creditors but including short term borrowings as stated previously) was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
<b>At 31 December 2019</b>				
<b>Assets</b>				
Indian Overseas Corporate Bond	4.60	9.15	-	3,879
Cash at bank – Sterling	-	-	3,414	-
Cash at bank – Taiwan Dollar	-	-	39	-
Cash at bank – Singapore Dollar	-	-	5	-
			<b>3,458</b>	<b>3,879</b>
	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
<b>Liabilities</b>				
Bank loan – Hong Kong Dollar	0.20	3.30	-	(20,587)
Bank loan – US Dollar	0.04	2.69	-	(5,403)
Bank loans – Sterling	1.17	2.18	-	(9,999)
			<b>-</b>	<b>(35,989)</b>

## Notes to the Financial Statements continued

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
<b>At 31 December 2018</b>				
<b>Assets</b>				
Chinese Overseas Corporate Bond <sup>A</sup>	-	-	-	4,413
Indian Overseas Corporate Bond	5.60	9.15	-	4,111
Malaysian Overseas Corporate Bond	1.71	3.50	-	1,025
Cash at bank – Sterling	-	-	3,583	-
Cash at bank – Taiwan Dollar	-	-	39	-
			<b>3,622</b>	<b>9,549</b>

<sup>A</sup> Holding in G3 Exploration, which was due to mature during the year but was not paid. Previously accrued interest income has been written off and no further interest income is being accrued.

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
<b>Liabilities</b>				
Bank loan – Hong Kong Dollar	0.02	3.05	-	(21,311)
Bank loan – US Dollar	0.02	3.40	-	(5,620)
Bank loans – Sterling	2.17	2.18	-	(9,998)
			<b>-</b>	<b>(36,929)</b>

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans.

The floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

All financial liabilities are measured at amortised cost using the effective interest rate method.

**Interest rate sensitivity.** The sensitivity analysis demonstrates the sensitivity of the Company's profit/(loss) for the year to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the profit/(loss) for the year is the effect of the assumed change in interest rates on:

- the net interest income for one year, based on the floating rate financial assets held at the Balance Sheet date; and
- changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the Balance Sheet date.

The Directors have considered the potential impact of a 100 basis point movement in interest rates and concluded that it would not be material in the current year (2018 – not material). This consideration is based on the Company's exposure to interest rates on its floating rate cash balances, fixed interest securities and bank loans.

**Foreign currency risk.** A significant proportion of the Company's investment portfolio is invested in overseas securities and the Balance Sheet can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis. A significant proportion of the Company's borrowings, as detailed in note 12, is in foreign currency as at 31 December 2019.

**Management of the risk.** The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings.

The fair values of the Company's monetary items that have foreign currency exposure at 31 December are shown below. Where the Company's equity investments (which are non-monetary items) are priced in a foreign currency, they have been included within the equity price risk sensitivity analysis so as to show the overall level of exposure.

	31 December 2019			31 December 2018		
	Equity investments £'000	Net monetary assets /(liabilities) £'000	Total currency exposure £'000	Equity investments £'000	Net monetary assets /(liabilities) £'000	Total currency exposure £'000
Australian Dollar	67,554	–	67,554	70,390	–	70,390
Chinese Renminbi	6,562	–	6,562	6,916	–	6,916
Hong Kong Dollar	68,374	(20,587)	47,787	66,731	(21,311)	45,420
Indian Rupee	14,101	3,879	17,980	4,154	4,111	8,265
Indonesian Rupiah	4,607	–	4,607	–	–	–
Japanese Yen	16,176	–	16,176	16,539	–	16,539
Korean Won	39,967	–	39,967	26,635	–	26,635
Malaysian Ringgit	11,951	–	11,951	20,350	1,025	21,375
New Zealand Dollar	3,686	–	3,686	2,225	–	2,225
Singapore Dollar	92,072	5	92,077	99,713	–	99,713
Taiwanese Dollar	49,336	39	49,375	34,498	39	34,537
Thailand Baht	36,408	–	36,408	30,079	–	30,079
US Dollar	4,037	(5,403)	(1,366)	7,106	(1,207)	5,899
<b>Total</b>	<b>414,831</b>	<b>(22,067)</b>	<b>392,764</b>	<b>385,336</b>	<b>(17,343)</b>	<b>367,993</b>

**Foreign currency sensitivity.** The following table details the impact on the Company's net assets to a 10% decrease (in the context of a 10% increase the figures below should all be read as negative) in sterling against the foreign currencies in which the Company has exposure. The sensitivity analysis includes foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

## Notes to the Financial Statements continued

	2019 £'000	2018 £'000
Australian Dollar	6,755	7,039
Chinese Renminbi	656	691
Hong Kong Dollar	4,779	4,542
Indian Rupee	1,798	826
Indonesian Rupiah	461	–
Japanese Yen	1,618	1,654
Korean Won	3,997	2,663
Malaysian Ringgit	1,195	2,138
New Zealand Dollar	369	223
Singapore Dollar	9,208	9,971
Taiwanese Dollar	4,938	3,454
Thailand Baht	3,641	3,008
US Dollar	(137)	590
<b>Total</b>	<b>39,278</b>	<b>36,799</b>

**Equity price risk.** Equity price risk (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the Company's quoted equity investments.

**Management of the risk.** It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process, as detailed on page 94, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on recognised stock exchanges.

**Concentration of exposure to equity price risks.** A geographic analysis of the Company's investment portfolio is shown on page 36, which shows that the majority of the investments' value is in the Asia Pacific region. It should be recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

**Equity price risk sensitivity.** The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% (2018 – 10%) in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each Balance Sheet date, with all other variables held constant.

	2019		2018	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
<b>Statement of Comprehensive Income – profit after taxation</b>				
Revenue return – increase /(decrease)	–	–	–	–
Capital return – increase /(decrease)	43,211	(43,211)	40,662	(40,662)
<b>Total profit after taxation – increase /(decrease)</b>	<b>43,211</b>	<b>(43,211)</b>	<b>40,662</b>	<b>(40,662)</b>
<b>Equity</b>	<b>43,211</b>	<b>(43,211)</b>	<b>40,662</b>	<b>(40,662)</b>



**(ii) Liquidity risk.** This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, which stood at £37,607,000 (2018 – £39,771,000).

**Management of the risk.** Liquidity risk is not considered to be significant as the Company's assets comprise mainly cash and readily realisable securities, which can be sold to meet funding commitments if necessary and these amounted to £3,458,000 and £435,984,000 (2018 – £3,622,000 and £416,173,000) at the year end respectively. Short-term flexibility is achieved through the use of loan facilities.

**Maturity profile.** The following table sets out the undiscounted gross cash flows, by maturity, of the Company's significant financial liabilities and cash at the Balance Sheet date:

	Within 1 year £'000	Between 1-5 years £'000	Total £'000
<b>At 31 December 2019</b>			
<b>Fixed rate</b>			
Bank loans	25,990	9,999	35,989
Interest on bank loans	(400)	(54)	(454)
	<b>25,590</b>	<b>9,945</b>	<b>35,535</b>
<b>Floating rate</b>			
Cash	3,458	–	3,458
<b>At 31 December 2018</b>			
<b>Fixed rate</b>			
Bank loans	–	36,929	36,929
Interest on bank loans	(269)	(272)	(541)
	<b>(269)</b>	<b>36,657</b>	<b>36,388</b>
<b>Floating rate</b>			
Cash	3,622	–	3,622

On 13 April 2017 the Company entered into an unsecured three year £40 million multi currency revolving facility agreement with Scotiabank (Ireland) Limited which replaced a £30 million secured facility. Under the terms of the New Facility the Company also has the option to increase the level of the commitment from £40 million to £60 million at any time, subject to the identification by the Manager of suitable investment opportunities and Lender credit approval. The Company also has a three year £10,000,000 term facility with Scotiabank Europe PLC details of which are disclosed in note 12 on pages 78 and 79.

**(iii) Credit risk.** This is failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss. The Company is exposed to credit risk on debt instruments. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVTPL. The carrying value of these assets, under both IAS 39 and IFRS 9 represents the Company's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates (see table below "Credit Risk Exposure").

## Notes to the Financial Statements continued

The Company's only financial assets subject to the expected credit loss model within IFRS 9 are only short-term other receivables. At 31 December 2019, the total of short-term other receivables was £1,568,000 (2018 – £2,175,000) on which no loss allowance is considered to be required (2018 – £1,029,000 was provided in respect of the non-payment of interest income by G3 Exploration). No interest for G3 Exploration has been accrued in 2019. No other assets are considered impaired and no other amounts have been written off during the year.

All other receivables are expected to be received within twelve months or less. An amount is considered to be in default if it has not been received on the due date.

As only other receivables are impacted by the IFRS 9 model, the Company has adopted the simplified approach. The loss allowance is therefore based on lifetime ECLs.

**Management of the risk.** Where the investment manager makes an investment in a bond, corporate or otherwise, where available, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default. The Company has the following holdings:

- a Chinese overseas corporate bond issued by G3 Exploration. G3 Exploration appointed joint liquidators during December 2019. Therefore the Board of Directors decided to write down the value of G3 Exploration to nil due to the uncertainty over the repayment of the debt.
- an Indian overseas corporate bond issued by ICICI Bank.

All of the above bonds are non-rated. The investment manager undertakes an ongoing review of their suitability for inclusion within the portfolio.

Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk to the Company of default.

The risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to the custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Manager's Compliance department carries out periodic reviews of the custodian's operations and reports its finding to the Manager's Risk Management Committee. It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.

Cash is held only with reputable banks with high quality external credit ratings.

None of the Company's financial assets are secured by collateral or other credit enhancements.

**Credit risk exposure.** In summary, compared to the amounts included in the Balance Sheet, the maximum exposure to credit risk at 31 December was as follows:

	2019		2018	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Non-current assets</b>				
Investments held at fair value through profit or loss	435,984	3,879	416,173	9,549
<b>Current assets</b>				
Cash at bank	3,458	3,458	3,622	3,622
Other receivables	1,568	1,568	2,175	2,175
	<b>441,010</b>	<b>8,905</b>	<b>421,970</b>	<b>15,346</b>

(iv) **Gearing risk.** The Company's policy is to increase its exposure to equity markets through the judicious use of borrowings. When borrowings are invested in such markets, the effect is to magnify the impact on shareholders' funds of changes, both positive and negative, in the value of the portfolio. As noted in note 2(a) on page 70, note 2(l) on page 73 and note 12 on pages 78 and 79, the classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The Company has not designated any financial liabilities at FVPL. Therefore, this requirement has not had an impact on the Company. The loans are carried at amortised cost, using the effective interest rate method in the financial statements.

**Management of the risk.** The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving, and uncommitted facilities. The fixed rate facilities are used to finance opportunities at low rates and, the revolving and uncommitted facilities to provide flexibility in the short-term.

#### 19. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt. The policy is that debt should not exceed 25% of net assets.

The Company's capital at 31 December comprises:

	2019 £'000	2018 £'000
<b>Debt</b>		
Borrowings under the multi-currency loan facility	25,990	26,931
Borrowing under the three year Sterling loan facility	9,999	9,998
	<b>35,989</b>	<b>36,929</b>
<b>Equity</b>		
Equity share capital	194,933	194,933
Retained earnings and other reserves	208,470	187,266
	<b>403,403</b>	<b>382,199</b>
<b>Debt as a % of net assets<sup>A</sup></b>	<b>8.92</b>	<b>9.66</b>

<sup>A</sup> The calculation above differs from the AIC recommended methodology, where debt levels are shown net of cash and cash equivalents held.

The Board, with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes account of the Investment Manager's views on the market;
- the need to buy back equity shares for cancellation or for holding in treasury, which takes account of the difference between the net asset value per Ordinary share and the Ordinary share price (i.e. the level of share price discount);
- the need for new issues of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

## Notes to the Financial Statements continued

### 20. Related party transactions and transactions with the Manager

Fees payable during the period to the Directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on pages 58 and 59.

Mr Young is also a director of the Company's Investment Manager, Aberdeen Standard Investments Asia Limited, which is a wholly-owned subsidiary of Standard Life Aberdeen plc. The Manager, Aberdeen Standard Capital International Limited ("ASCIL") is also a subsidiary of Standard Life Aberdeen PLC. Management, promotional activities and secretarial and administration services are provided by ASCIL with details of transactions during the year and balances outstanding at the year end disclosed in notes 5 and 6.

### 21. Controlling party. In the opinion of the Directors on the basis of shareholdings advised to them, the Company has no immediate or ultimate controlling party.

### 22. Fair value hierarchy. IFRS 13 'Fair Value Measurement' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy as follows:

		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>At 31 December 2019</b>					
	<b>Note</b>				
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	432,105	-	-	432,105
Quoted bonds	b)	-	3,879	-	3,879
<b>Net fair value</b>		<b>432,105</b>	<b>3,879</b>	<b>-</b>	<b>435,984</b>
<b>At 31 December 2018</b>					
	<b>Note</b>				
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	406,624	-	-	406,624
Quoted bonds	b)	-	9,549	-	9,549
<b>Net fair value</b>		<b>406,624</b>	<b>9,549</b>	<b>-</b>	<b>416,173</b>

**a) Quoted equities.** The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

**b) Quoted bonds.** The fair value of the Company's investments in quoted bonds has been determined by reference to their quoted bid prices at the reporting date. Investments in quoted bonds are not considered to trade in active markets and accordingly the Company's holding in quoted bonds as at 31 December 2019 has been classified as Level 2.

A reconciliation of fair value movements within Level 3 is set out below:

	2019 £'000	2018 £'000
<b>Financial assets at fair value through profit or loss</b>		
Opening balance	-	-
Transfer from Level 2	4,413	-
Losses on investments held at fair value through profit or loss	(76)	-
Written down to nil value	(4,337)	-
<b>Net fair value</b>	-	-

In October the Board of Directors took the decision to write down the value of G3 Exploration by 50% in light of interest payment default and concerns over ongoing trading. At this point the G3 Exploration bond was reclassified as Level 3. G3 Exploration appointed joint liquidators during December 2019. Using an adjusted net asset value model the Board of Directors decided to write down the value of G3 Exploration to £nil due to concerns over liquidity, credit worthiness, exit opportunities and the timing of any potential receipts.

**Fair value of financial assets.** The Directors are of the opinion that the fair value of other financial assets is equal to the carrying amounts in the Balance Sheet.

**Fair values of financial liabilities.** The fair value of borrowings as at the 31 December 2019 has been estimated at £35,999,000 (carrying value per Balance Sheet – £35,989,000) which was calculated using a discounted cash flow valuation technique. At 31 December 2018 the fair value was £36,947,000 (carrying value per Balance Sheet – £36,929,000). Under the fair value hierarchy in accordance with IFRS 13, these borrowings can be classified as Level 2.

23. **Subsequent events.** Subsequent to the year end, the Company agreed with the Manager that with effect from 1 January 2020, the calculation of the management fee will be changed to 0.85% per annum on average net assets of the previous six months up to £350 million and 0.65% per annum thereafter. The fee will continue to be payable quarterly in arrears. The Company has also agreed with the Manager that payment of the secretarial and administration fee of £134,000 would cease with effect from 1 January 2020.

Subsequent to the year end, the Company's NAV has suffered as a result of a decline in stockmarket values caused by the Covid-19 pandemic. At the date of this Report the latest NAV per share was 193.22p as at the close of business on 12 May 2020, a decline of 14.9% compared the NAV per share of 227.15p at the year end. The Directors have carefully considered the financial position of the Company with particular attention to the economic and social impacts of the Covid-19 pandemic. Covid-19 presents significant challenges to all of the countries within the investment region as well as the rest of the world. It is too early to be able to assess the longer term impacts on the individual companies in the portfolio. This is not considered to be an adjusting item to the financial statements.

Following the year end, the Company replaced its multi currency revolving loan facility agreement. Further details can be found in note 12 on pages 78 and 79.

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# Corporate Information

The Company's Investment Manager is Aberdeen Standard Investments (Asia) Limited, a subsidiary of Standard Life Aberdeen PLC, whose group companies as at 31 December 2019 had £544.6 billion of assets under management.

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# Information about the Investment Manager

## Aberdeen Standard Investments (Asia) Limited

The investment management of the Company has been delegated by Aberdeen Standard Capital International Limited to Aberdeen Standard Investments (Asia) Limited ("ASI Asia"). ASI Asia is based in Singapore and is a wholly-owned subsidiary, and the Asia Pacific headquarters of, Standard Life Aberdeen PLC (the "Standard Life Aberdeen Group"), a publicly-quoted company on the London Exchange.

Worldwide, the Standard Life Aberdeen Group manages a combined £544.6 billion (as at 31 December 2019) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

The Standard Life Aberdeen Group has its headquarters in Edinburgh with principal offices in Aberdeen, Bangkok, Hong Kong, Kuala Lumpur, Jersey, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo

## The Investment Team Senior Managers

**Hugh Young**  
Managing Director



BA in Politics from Exeter University. Started investment career in 1980. In charge of ASI Asia's Far East funds since 1985.

**Flavia Cheong**  
Head of Equities –  
Asia Pacific, Asian Equities



Masters in Economics from University of Auckland. Previously with Investment Company of the People's Republic of China and Development Bank of Singapore. Started investment career in 1987. Joined ASI Asia in August 1996.

**Yoojeong Oh**  
Investment Director,  
Asian Equities



CFA® charterholder, MEng in Engineering, Economics and Management from the University of Oxford. Joined ASI Asia in 2005 and was initially a member of the UK and European Equities Team in London before moving to Singapore.

**Christina Woon**  
Investment Manager,  
Asian Equities



CFA® charterholder, Bachelor of Accountancy from Singapore Management University. Joined ASI Asia in January 2013 as a graduate.

# The Investment Manager's Investment Process

## Philosophy and Style

The Investment Manager's investment process is robust and characterised by its discipline, consistency and independence. The Investment Manager is not benchmark-driven and, accordingly, its fund managers do not invest in stocks that fail to meet its investment criteria.

The Investment Manager believes that markets often display dislocations in inefficiency and that companies may not be priced correctly. By doing all its own research and undertaking substantial due diligence before initiating any investment, the Investment Manager's fund management team aims to identify good quality companies that are trading too cheaply, defined in terms of company fundamentals that, in the Investment Manager's opinion, drive share prices over the long term. These companies form the investment universe which contains all buy and hold recommendations for the region. The Investment Manager therefore manages its portfolios actively and little attention is paid to benchmarks at the portfolio construction level. Companies are held, moreover, for the long term, resulting in the turnover in the Investment Manager's portfolios being relatively low.

At the heart of the Investment Manager's approach is a disciplined investment process, with stock selection being a major source of added value. It estimates a company's worth in two stages, quality then price. Quality is defined by reference to management, business focus, the balance sheet and corporate governance. Price is calculated by reference to key financial ratios, the market, the peer group and business prospects. Top-down investment factors are secondary in the Investment Manager's portfolio construction, with diversification rather than formal controls guiding stock, sector and country weightings. Little regard is paid to market capitalisation, other than to ensure liquidity. The Investment Manager's portfolios are generally

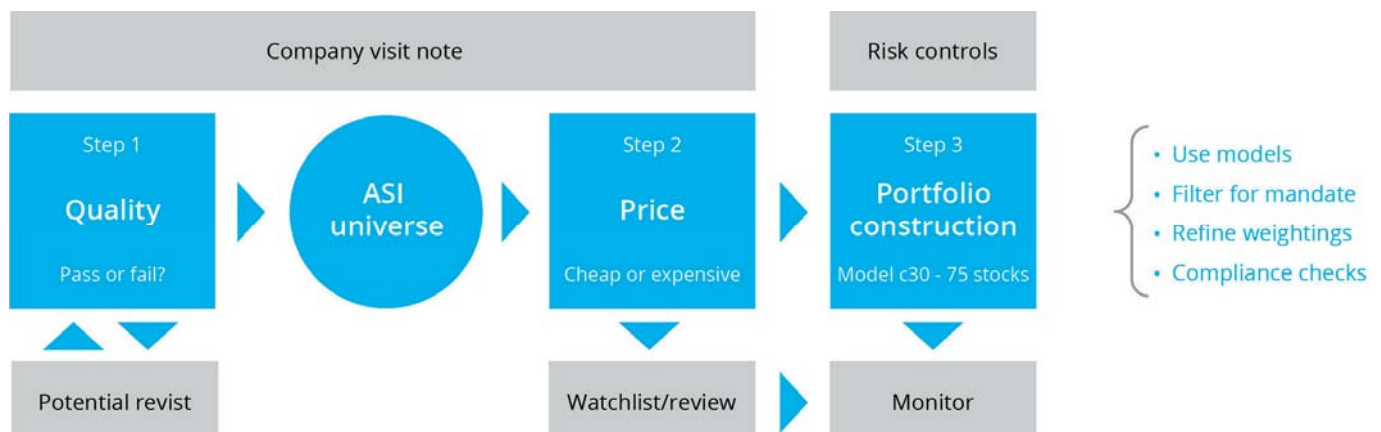
conservatively run, with an emphasis on traditional buy-and-hold. However, the Investment Manager takes opportunities offered by what it sees as anomalous price movements within stockmarkets to either top up or top slice positions, which typically accounts for the bulk of the activity in the portfolios. Accordingly, turnover of positions in the Investment Manager's portfolios is low.

The Investment Manager will not invest in a company without first having met its management team. Having invested in a company, the Investment Manager typically meets the management team twice a year. Over the years, the Investment Manager's fund managers have visited many thousands of companies, and more than 1,000 meetings are held annually with companies' management teams.

Portfolios are managed by the Investment Manager on a team basis, with individual fund managers doing their own research and analysis. Each asset class has a model portfolio that contains the team's best ideas for that asset class and forms the basis for constructing individual portfolios focused on that asset class.

## Risk Controls

The Investment Manager seeks to minimise risk by its in depth research. Divergence from an index is not seen as risk – the Investment Manager views investment in poorly run expensive companies that are not fully understood as risk. In fact where risk parameters are expressed in index relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides the Investment Manager's main control. The Investment Manager's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Investment Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.



# Investor Information

## Pre-Investment Disclosure Document

Under the European Alternative Investment Fund Management Directive (AIFMD), in order to market the Company's shares within the UK, the Company and the Manager (categorized as a non-EU alternative investment fund manager) are required to make available certain disclosures to investors. These are published in a pre-investment disclosure document (PIDD) which can be found on the website [asian-income.co.uk](http://asian-income.co.uk). The periodic disclosures required to be made by the Manager under AIFMD are set out on page 84.

## Comparative Indices

The Company's portfolio is constructed without reference to any stockmarket index. It is likely, therefore, that there will be periods when the Company's performance will be quite unlike that of any index and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage. The Company compares its performance against the currency-adjusted MSCI AC Asia Pacific (ex Japan) Index and the currency-adjusted MSCI AC Asia Pacific (ex Japan) High Dividend Yield Index.

## Website

Further information on the Company can be found on its own dedicated website: [asian-income.co.uk](http://asian-income.co.uk). This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports.

## Investor Warning

The Board has been made aware by Aberdeen Standard Investments that some investors have received telephone calls from people purporting to work for the Aberdeen Standard Investments, or third parties, who have offered to buy their investment company shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares.

These callers do not work for Aberdeen Standard Investments and any third party making such offers has no link with the Aberdeen Standard Investments. Aberdeen Standard Investments never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, they should not offer any personal information, end the call and contact Aberdeen Standard Investments' investor services centre using the details provided below.

## Dividend Tax Allowance

The annual tax-free personal allowance on dividend income is £2,000 for the 2019/2020 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

## Suitable for Retail/NMPI Status

The Company's securities are intended for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who are wanting to benefit from the growth prospects of Asian companies by investment in an investment company and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that its securities can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authorities' ("FCA") rules in relation to non-mainstream pooled investments (NMPIs) and intends to continue to do so for the foreseeable future.

The Company's securities are excluded from the FCA's restrictions which apply to non-mainstream pooled investments because the Company would qualify as an investment trust if the Company were based in the UK.

## Keeping You Informed

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Company's website ([asian-income.co.uk](http://asian-income.co.uk)) and the TrustNet website ([trustnet.co.uk](http://trustnet.co.uk)). Alternatively you can call 0808 500 0040 (free when dialling from a UK landline) for investment company information.

## Twitter:

<https://twitter.com/AberdeenTrusts>

## LinkedIn:

<https://www.linkedin.com/company/aberdeen-standard-investment-trusts>

## Investor Information continued

### Registered Shareholder Enquiries

In the event of queries regarding their holdings of shares, lost certificates dividend payments, registered details, etc shareholders holding their shares in the Company directly should contact the registrars, Link Market Services Trustees Limited, PO Box 532, St Helier Jersey JE4 5UW (e-mail [shareholderenquiries@linkassetservices.com](mailto:shareholderenquiries@linkassetservices.com)) or Tel: 0371 664 0300 Lines are open 9.00 a.m. to 5.30 p.m. (London Time) Monday to Friday. Calls may be recorded and monitored randomly for security and training purposes. Changes of address must be notified to the registrars in writing.

Any general enquiries about the Company should be directed to the Company Secretary, Aberdeen Asian Income Fund Limited, c/o Aberdeen Standard Capital International Limited, 1st Floor, Sir Walter Raleigh House, 48 – 50 Esplanade, St Helier, Jersey JE2 3QB or by emailing [company.secretary@aberdeensstandard.com](mailto:company.secretary@aberdeensstandard.com).

### Direct

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the Aberdeen Standard Investment Plan for Children, Aberdeen Standard Investment Trust Share Plan and Investment Trust ISA.

### Aberdeen Standard Investment Plan for Children

Aberdeen Standard Investments runs an Investment Plan for Children (the “Children’s Plan”) which covers a number of investment companies under its management including the Company. Anyone can invest in the Children’s Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per company, while regular savers may invest from £30 per month. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children’s Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

### Aberdeen Standard Investment Trust Share Plan

Aberdeen Standard Investments runs a Share Plan (the “Plan”) through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

### Stocks and Shares ISA

An investment of up to £20,000 can be made in the tax year 2020/2021.

The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

### ISA Transfer

You can choose to transfer previous tax year investments to the Aberdeen Standard Investment Trust ISA which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment company of £250.

### Literature Request Service

For literature and application forms for the Company and Aberdeen Standard Investments “investment company products, please contact:

Telephone: 0808 500 0040

[www.investments.co.uk/en/investmenttrusts/literature-library](http://www.investments.co.uk/en/investmenttrusts/literature-library)

### Aberdeen Standard Investment Trust Share Plan and ISA Enquiries

In the event of queries regarding holdings, or for information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact, Aberdeen Standard Investment Trusts, PO Box 11020, Chelmsford, Essex, CM99 2DB Telephone: 0808 500 0040 (free when dialling from a UK landline). Terms and conditions for the managed savings products can also be found under the literature section of [investments.co.uk](http://investments.co.uk).

### Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website:

[invtrusts.co.uk/en/investmenttrusts/literature-library](http://invtrusts.co.uk/en/investmenttrusts/literature-library).

### Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell You Invest; Alliance Trust Savings; Barclays Stockbrokers; Charles Stanley Direct; Halifax Share Dealing; Hargreave Hale; Idealing; Interactive Investor; EQi; The Share Centre; Stocktrade; and, Hargreaves Lansdown.

### Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at [thewma.co.uk](http://thewma.co.uk).

### Independent Financial Advisers

To find an adviser who recommends on investment companies, visit [unbiased.co.uk](http://unbiased.co.uk).

### Regulation of stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768 or

[www.fca.org.uk/firms/systemsreporting/register/search](http://www.fca.org.uk/firms/systemsreporting/register/search)

Email: [register@fca.org.uk](mailto:register@fca.org.uk)

*The above information on pages 95 to 97 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.*

# Glossary of Terms

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## ASI Asia or Investment Manager

Aberdeen Standard Investments (Asia) Limited (formerly Aberdeen Asset Management Asia Limited) – the Company's Investment Manager.

## Aberdeen Standard Investments

The investment arm of the Standard Life Aberdeen Group

## AIC

The Association of Investment Companies – the AIC is the trade body for closed-ended investment companies ([theaic.co.uk](http://theaic.co.uk)).

## AIFMD

The Alternative Investment Fund Managers Directive – The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' (AIFs). It is designed to regulate any fund which is not a UCITS (Undertakings for Collective Investments in Transferable Securities) fund and which is managed/ marketed in the EU. The Company has been designated as an AIF.

## ASCIL

Aberdeen Standard Capital International Limited – the Company's Manager.

## Asset Cover

The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

## Derivative

A derivative is a financial security with a value that is reliant upon or derived from an underlying asset or group of assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its price is determined by fluctuations in the underlying asset.

## Disclosure Guidance and Transparency Rules or DTRs

The DTRs contain requirements for publishing and distributing annual financial reports, half-yearly financial reports and other regulatory statements, and are applicable to investment companies which are listed on the main market of the London Stock Exchange.

## Discount

The amount by which the market price per share of an investment company is lower than the NAV per share. The discount is normally expressed as a percentage of the NAV per share.

## Dividend Cover

Earnings per share divided by dividends per share expressed as a ratio.

## Dividend Yield

The annual dividend expressed as a percentage of the share price.

## Key Information Document or KID

The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as PRIIP manufacturer, to prepare a key information document ("KID") in respect of the Company. This KID must be made available by the Investment Manager to retail investors prior to them making any investment decision and is available via a link on the Company's website. The Company is not responsible for the information contained in the KID and shareholders should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

## Financial Conduct Authority or FCA

The FCA issues the Listing Rules and DTRs.

## Manager or ASCIL

Aberdeen Standard Capital International Limited.

## Net Asset Value or NAV

The value of total assets less liabilities. Liabilities for this purpose includes current and long-term liabilities. The NAV divided by the number of shares in issue (excluding all shares held in treasury) produces the NAV per share.

## Net Gearing

Net gearing is calculated by dividing Total Assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage (the AIC basis).

## Official List

The FCA's Official List is the definitive record of whether a company's securities are officially listed in the UK. Among other things, each entry in the Official List shows the: security listed; its issuer; and the security's listing category - the set of obligations that apply to the issuer regarding that particular listing.

## Ongoing Charges

Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard method.



### Ordinary Shares

The Company's Ordinary Shares give shareholders the entitlement to all of the capital growth in the Company's assets and to all the income from the Company that is resolved to be distributed. The Ordinary Shares are in registered form and traded on the London Stock Exchange's Main Market. Subject to the Articles of Association, on a show of hands every registered holder of Ordinary Shares (a shareholder) who is present in person (or, being a corporation, by representative) shall have one vote. On a poll every shareholder present in person (or, being a corporation, by representative) or by proxy shall be entitled to one vote in respect of each Ordinary Share held. In the case of joint holders, 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 for this purpose seniority shall be determined by the order in which the names stand in the register of members.

### PIDD

The pre-investment disclosure document. The disclosures that are required to be made to investors by ASCIL and the Company in accordance with the AIFMD.

### Premium

The amount by which the market price per share of an investment company exceeds the NAV per share. The premium is normally expressed as a percentage of the NAV per share.

### Price/Earnings Ratio

The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

### Prior Charges

The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

### Standard Life Aberdeen Group

The Standard Life Aberdeen PLC group of companies.

### Total Assets

Total Assets less current liabilities (before deducting prior charges as defined above).

### Total Return

Total Return involves reinvesting the net dividend in the month that the share price goes xd. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date to which that dividend was earned, eg quarter end, half year or year end date. Information relevant to the reporting period is disclosed on page 102.

### Voting Rights

In accordance with the Articles of Association of the Company, on a show of hands, every member (or duly appointed proxy) present at a general meeting of the Company has one vote; and, on a poll, every member present in person or by proxy shall have one vote for every Ordinary Share held.

### Winding-Up Entitlements

On a winding up of the Company, any surplus assets available after payment of all debts and satisfaction of all liabilities of the Company shall be applied in repaying the Ordinary shareholders the amounts paid up on such shares. Any surplus shall be divided among the holders of Ordinary Shares pari passu according to the amount paid up on such shares respectively.

# Your Company's Share Capital History

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## Issued Share Capital at 31 December 2019

**177,591,975**

Ordinary Shares of no par value

**17,341,701**

Ordinary Shares of no par value held in Treasury

## Capital History

### 20 December 2005

110,000,000 Ordinary Shares placed at 100p per share and 22,000,000 Warrants issued at 10p per Warrant. Ordinary Share issue applicants were entitled to purchase Warrants on the basis of one Warrant for every 10 Ordinary Shares applied for.

### Year to 31 December 2007

800,000 Ordinary Shares of no par value purchased in the market for cancellation

### Year to 31 December 2008

760,000 Ordinary Shares of no par value purchased in the market for cancellation

### Year to 31 December 2009

1,350,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV

### 11 May 2010

160,999 Warrants exercised resulting in the issue of 160,999 new Ordinary shares

### 13 October 2010

885,062 Warrants exercised resulting in the issue of 885,062 new Ordinary shares

### Year to 31 December 2010

7,199,001 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV

### 16 May 2011

14,793,009 Warrants exercised resulting in the issue of 14,793,009 new Ordinary shares

### 5 October 2011

5,800 Warrants exercised resulting in the issue of 5,800 new Ordinary shares

### Year to 31 December 2011

6,250,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV

### 24 May 2012

1,766,974 Warrants exercised resulting in the issue of 1,766,974 new Ordinary shares

### 15 October 2012

814,113 Warrants exercised resulting in the issue of 814,113 new Ordinary shares

### 16 November 2012

60,000,000 C shares issued by way of a Placing and Offer for Subscription

### Year to 31 December 2012

9,517,388 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV

### 4 February 2013

60,000,000 C shares converted into 30,552,000 new Ordinary Shares

### 17 May 2013

3,574,043 Warrants exercised resulting in the issue of 3,574,043 new Ordinary Shares. Following the exercise no Warrants remain

### Year to 31 December 2013

8,425,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV

### Year to 31 December 2014

800,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV

### Year to 31 December 2015

500,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV. 1,907,000 Ordinary Shares of no par value purchased in the market at a discount to the prevailing NAV (of which 1,807,000 were held in treasury and 100,000 were cancelled)

### Year to 31 December 2016

6,158,000 Ordinary Shares of no par value purchased in the market at a discount to the prevailing NAV for treasury

### Year to 31 December 2017

3,686,168 Ordinary Shares of no par value purchased in the market at a discount to the prevailing NAV for treasury

### Year to 31 December 2018

4,651,533 Ordinary Shares of no par value purchased in the market at a discount to the prevailing NAV for treasury

### Year to 31 December 2019

1,038,713 Ordinary Shares of no par value purchased in the market at a discount to the prevailing NAV for treasury

## AIFMD Disclosures (Unaudited)

The Manager and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD') which can be found on the Company's website [asian-income.co.uk](http://asian-income.co.uk). There have been no material changes to the disclosures contained within the PIDD since the last publication in April 2019.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 18 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASCIL.
- In accordance with the requirements of the AIFMD, the Manager's remuneration policy is available from the Company Secretaries, Aberdeen Standard Capital International Limited on request (see contact details on page 108) and the remuneration disclosures in respect of the ASCIL reporting period for the year ended 31 December 2019 are available on the Company's website.

*The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority*

## Alternative Performance Measures

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes IFRS and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

**Total return.** Total return is considered to be an alternative performance measure. NAV and share price total returns show how the NAV and share price have performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the years ended 31 December 2019 and 31 December 2018.

Year ended 31 December 2019	Dividend rate	NAV	Share price
31 December 2018	N/A	213.96p	195.75p
17 January 2019	2.40p	216.13p	196.50p
25 April 2019	2.25p	231.16p	214.00p
18 July 2019	2.25p	237.99p	218.00p
24 October 2019	2.25p	226.02p	207.00p
31 December 2019	N/A	227.15p	214.00p
<b>Total return</b>		<b>+10.5%</b>	<b>+14.2%</b>

Year ended 31 December 2018	Dividend rate	NAV	Share price
31 December 2017	N/A	235.63p	218.00p
18 January 2018	2.25p	235.81p	220.00p
26 April 2018	2.25p	221.94p	205.00p
19 July 2018	2.25p	223.68p	203.00p
25 October 2018	2.25p	208.92p	187.75p
31 December 2018	N/A	213.96p	195.75p
<b>Total return</b>		<b>-5.5%</b>	<b>-6.2%</b>

**Discount to net asset value per Ordinary share.** The difference between the share price of 214.00p (31 December 2018 – 195.75p) and the net asset value per Ordinary share of 227.15p (31 December 2018 – 213.96p) expressed as a percentage of the net asset value per Ordinary share.

**Dividend cover.** Revenue return per share of 9.42p (2018 – 9.25p) divided by dividends per share of 9.25p (2018 – 9.15p) expressed as a ratio.

**Dividend yield.** The annual dividend of 9.25p per Ordinary share (2018 – 9.15p) divided by the share price of 214.00p (2018 – 195.75p), expressed as a percentage.

**Net gearing.** Net gearing measures the total borrowings of £35,989,000 (31 December 2018 – £36,929,000) less cash and cash equivalents of £3,453,000 (31 December 2018 – £3,097,000) divided by shareholders' funds of £403,403,000 (31 December 2018 – £382,199,000), expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes net amounts due to brokers at the year end of £5,000 (2018 – £525,000) as well as cash and cash equivalents of £3,458,000 (2018 – £3,622,000).

**Ongoing charges.** Ongoing charges is considered to be an alternative performance measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values with debt at fair value throughout the year.

	2019	2018
Investment management fees (£'000)	3,431	3,532
Administrative expenses (£'000)	951	1,004
<b>Ongoing charges (£'000)</b>	<b>4,382</b>	<b>4,536</b>
<b>Average net assets (£'000)</b>	<b>406,372</b>	<b>408,207</b>
<b>Ongoing charges ratio</b>	<b>1.08%</b>	<b>1.11%</b>

The ongoing charges percentage provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which among other things, includes the cost of borrowings and transaction costs.

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# General

This year's Annual General Meeting will be held in Jersey on 22 July 2020 at 10.30 a.m. at Sir Walter Raleigh House, 48 – 50 Esplanade, St Helier, Jersey JE2 3QB.

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# Notice of Annual General Meeting

**Notice is hereby given** that the fourteenth Annual General Meeting of Aberdeen Asian Income Fund Limited will be held at 1<sup>st</sup> Floor, Sir Walter Raleigh House, 48 – 50 Esplanade, St Helier, Jersey JE2 3QB at 10.30 a.m. on 22 July 2020 for the following purposes:

## Ordinary Business

As ordinary business to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

1. To receive the Directors' Report and financial statements for the year ended 31 December 2019, together with the Auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 December 2019 (other than the Directors' Remuneration Policy).
3. To approve the Directors' Remuneration Policy.
4. THAT shareholders approve the Company's Dividend Policy to continue to pay four interim dividends per year.
5. To re-elect Mr H Young as a Director.
6. To re-elect Ms K Nowak as a Director.
7. To re-elect Ms N McCabe as a Director.
8. To re-elect Mr I Cadby as a Director.
9. To re-elect Mr M Florance as a Director.
10. To re-elect Mr C Clarke as a Director.
11. To reappoint KPMG Channel Islands Limited as independent Auditor and to authorise the Audit Committee to agree their remuneration.

## Special Business

To consider and, if thought fit, pass the resolution 12 and resolution 13, both of which will be proposed as special resolutions:

12. THAT, the Company be and is hereby generally and unconditionally authorised in accordance with the Articles of Association to make market purchases on a stock exchange of and to cancel or hold in treasury Ordinary Shares of no par value in the capital of the Company ("Ordinary Shares"), provided that:
  - a) the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99% of the issued share capital of the Company as at the date of the passing of this resolution;
  - b) the maximum price which may be paid for an Ordinary Share shall not be more than the higher of (i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share taken from the Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;
  - c) the minimum price which may be paid for an Ordinary Share is 1 pence;
  - d) the Company be authorised to purchase Ordinary Shares out of its unrealised capital or revenue profits less its capital or revenue losses, whether realised or unrealised; and,
  - e) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2021 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time.
13. THAT, the Directors be empowered to allot Ordinary Shares for cash (or sell Ordinary Shares held as treasury shares) up to a maximum amount of 17,700,969 Ordinary Shares (or 10% of the total number of Ordinary Shares in issue as at the date of the passing of this resolution) as if Article 10 of the Company's Articles of Association did not apply, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution) at the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2021 or 18 months from the date of the passing of this resolution but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require Ordinary Shares to be issued after such expiry and the Directors of the Company may issue Ordinary Shares in pursuance of any such offer or agreement as if such expiry had not occurred.

1st Floor, Sir Walter Raleigh House  
48 – 50 Esplanade, St Helier, Jersey JE2 3QB  
22 May 2020

By order of the Board  
Aberdeen Standard Capital International Limited  
Secretaries

## Notice of Annual General Meeting Continued

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### Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed. *(Shareholders' attention is drawn to note 13 below.)*
  2. Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to The Registrars, Aberdeen Asian Income Fund Limited, Link Asset Services, PXS, 34 Beckenham Road, Beckenham Kent BR3 4TU so as to arrive not less than forty eight hours before the time fixed for the meeting. *(Shareholders' attention is drawn to note 13 below.)*
  3. In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than forty eight hours before the time fixed for the meeting (or, in the event that the meeting be adjourned, on the register of members forty eight hours before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than forty eight hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.
  4. Notes on CREST Voting.  
CREST Members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, which is available to download from the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
  5. In order for a proxy appointment or instruction made using the CREST system to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 10.30am on 20 July 2020. 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.
  6. 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 systems 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 CREST sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) takes(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual.
  7. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case, a proxy form must be received by the Company's registrars no later than 10.30am on 20 July 2020.
  8. Shareholders are advised that unless otherwise provided, the telephone numbers and website addresses which may be set out in this Notice or the Form of Proxy/Letter of Direction are not to be used for the purpose of serving information or documents on the Company including the service of information or documents relating to proceedings at the Company's Annual General Meeting. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's Ordinary Shares already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
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9. No Director has a service contract with the Company.
  10. The Register of Directors' interests is kept by the Company and available for inspection.
  11. As at 14 May 2020 (being the last business day prior to the publication of this notice) the Company's issued Ordinary Share capital comprised 177,009,690 Ordinary Shares of no par value and 17,923,699 Treasury shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 14 May 2020 was 177,009,690.
  12. There are special arrangements for holders of Ordinary Shares through the Aberdeen Standard Share Plan and ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report
  13. **Given the risks posed by the spread of the Coronavirus and in accordance with the provisions of the Articles of Association and the Government of Jersey guidance, physical attendance at the Annual General Meeting may not be possible. If the law or Government of Jersey guidance so requires at the time of the meeting, the Chairman will limit, in his sole discretion, the number of individuals in attendance at the meeting. If Stay at Home Measures are in place at the time of the meeting, such attendance will be limited to two persons. Should the Government of Jersey measures be relaxed by the time of the meeting, the Company may still impose entry restrictions on certain persons wishing to attend the Annual General Meeting in order to ensure the safety of those attending the meeting.**

# Corporate Information

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## Directors

Charles Clarke, Chairman  
Krystyna Nowak, Senior Independent Director  
Ian Cadby  
Mark Florance  
Nicky McCabe  
Hugh Young

## Manager, Secretary & Registered Office

Aberdeen Standard Capital International Limited  
1st Floor, Sir Walter Raleigh House  
48 – 50 Esplanade  
St Helier  
Jersey JE2 3QB

Tel: **01534 758 847**

Email: [company.secretary@aberdeenstandard.com](mailto:company.secretary@aberdeenstandard.com)

Registered in Jersey with Number 91671

## Investment Manager

Aberdeen Standard Investments (Asia) Limited  
21 Church Street  
#01-01 Capital Square Two  
Singapore 049480

## Registrars

Link Market Services Trustees Limited  
PO Box 532  
St Helier  
Jersey JE4 5UW

Tel: **01534 847 000**

## Transfer Agents

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Tel: **0371 664 0300**

(lines are open 9.00am-5.30pm Mon-Fri)

Tel International: (+44 208 639 3399)

e-mail: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)  
[signalshares.com](http://signalshares.com)

Website

[asian-income.co.uk](http://asian-income.co.uk)

## Bankers

Scotiabank (Ireland) Limited  
4th Floor, I.F.S.C. House  
Custom House Quay  
Dublin 1, Ireland

Scotiabank Europe plc  
6th Floor, 201 Bishopsgate  
London EC2M 3NS

## Solicitors

Dentons UK and Middle East LLP  
Quatermile One  
15 Lauriston Place  
Edinburgh, EH3 9EP

## Jersey Lawyers

Appleby  
PO Box 207  
13-14 Esplanade  
St Helier  
Jersey JE1 1BD

## Stockbrokers

Stifel Nicolaus Europe Limited  
150 Cheapside  
London EC2V 6ET

## Independent Auditor

KPMG Channel Islands Limited  
37 Esplanade, St Helier  
Jersey, JE4 8WQ

## Custodian

BNP Security Services S.A Jersey Branch

## United States Internal Revenue Service FATCA

Registration Number (GIIN)  
MIXWGC.99999.SL.832

## Legal Entity Identifier (LEI)

549300U76MLZF5F8MN87



Overview
Strategic Report
Portfolio
Governance
Financial Statements
Corporate Information
General

