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Aberdeen Asian Income Fund Limited

Annual Report and Accounts
31 December 2009

Aberdeen

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General Information

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Aberdeen Asian Income Fund Limited, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

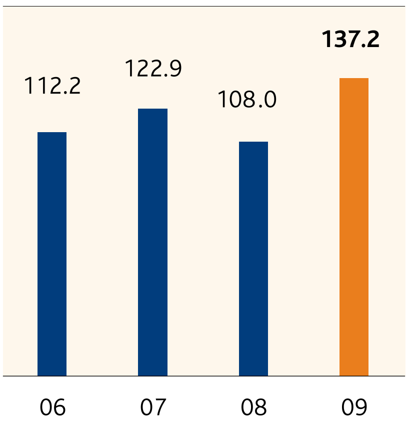
Financial Highlights

	2009	2008
Share price total return[A]	**+40.1%**	–3.1%
Net asset value (diluted) total return[A]	**+32.8%**	–8.4%
Benchmark[A]	**+54.6%**	–33.0%
Dividends per share	**5.00p**	4.75p

[A] 1 year return

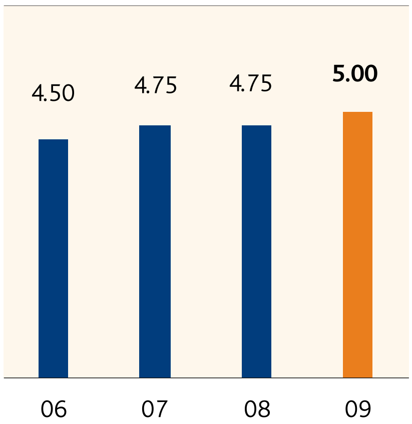
Diluted Net Asset Value per share

At 31 December – pence



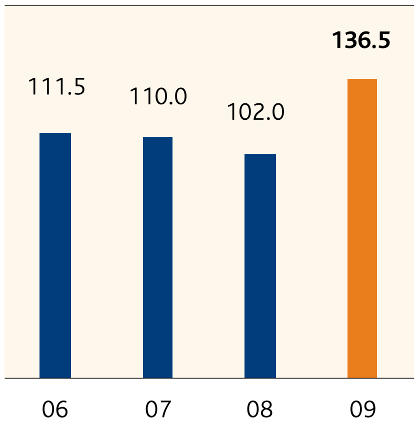
Dividends per share

pence



Mid-market price per share

At 31 December – pence



Financial Calendar

19 February 2010	Payment of second interim dividend for year ended 31 December 2009
31 March 2010	Announcement of results for year ended 31 December 2009
11 May 2010	First Warrant Subscription Date for 2010
13 May 2010	Annual General Meeting at No.1 Seaton Place, St Helier, Jersey JE4 8YJ
14 May 2010	Shareholder Presentation at Bow Bells House,1 Bread Street, London EC4M 9HH
19 May 2010	Payment of first interim dividend for year ending 31 December 2010
May 2010	Announcement of Interim Management Statement for quarter to 31 March 2010
25 August 2010	Payment of second interim dividend for year ending 31 December 2010
August 2010	Announcement of half yearly results for the six months ending 30 June 2010
October 2010	Announcement of Interim Management Statement for quarter to 30 September 2010
19 October 2010	Payment of third interim dividend for year ending 31 December 2010
18 February 2011	Payment of fourth interim dividend for year ending 31 December 2010

Corporate Summary

The Company

Aberdeen Asian Income Fund Limited (the "Company") is a Jersey-incorporated, closed-end investment company and its shares are listed on the London Stock Exchange. The Company is a member of the Association of Investment Companies.

Investment Objective

The investment objective of the Company is to provide investors with a total return primarily through investing in Asian Pacific securities, including those with an above average yield.

Investment Policy

The Company will primarily invest in the Asia Pacific region through investment in:
- companies listed on stock exchanges in the Asia Pacific region;
- Asian 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 in the Asia Pacific region or denominated in Asian 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 issued by companies which are based in, or derive a significant proportion of their revenues or profits from, the Asia Pacific region and debt issued by governments in the Asia Pacific region.

Achieving the Investment Policy

The Company is free to invest in any particular market segments or any particular countries in the Asia Pacific region.

The Company may invest in small, mid or 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.

Typically the portfolio will comprise 30 to 50 holdings (but without restricting the Company from holding a more or less concentrated portfolio in the future).

The Company may invest in derivatives, financial instruments, money market instruments and currencies solely for the purpose of efficient portfolio management (i.e. solely 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 exchange and credit risks).

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.

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 17. A comprehensive analysis of the Company's portfolio is disclosed on pages 12 and 13 including a description of the ten largest investments, the investment portfolio by value, sector/geographical analysis and currency/market performance. At the year end the Company's portfolio consisted of 33 holdings.

The Board is responsible for determining the gearing strategy for the Company. The Board has restricted the maximum level of gearing to 25 per cent. of net assets. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. At the year end there was actual gearing of 4.1 per cent (see definition on page 54). Borrowings are short term and particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy.

The Company may only make material changes to its investment policies with the approval of shareholders (in the form of an ordinary resolution).

Investment Restrictions

The Company will not invest more than 10 per cent., in aggregate, of the value of its gross assets at the time the investment is made in other 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 per cent. of their gross assets in other investment trusts or investment companies admitted to the Official List. In any event, the Company will not invest more than 15 per cent. of its gross 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 per cent. (calculated at the time of any relevant investment or loan) of its gross 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 per cent. (calculated at the time of any relevant investment) of its gross assets in one or more collective investment undertakings (open-ended or closed-end) which may invest more than 20 per cent. of their gross assets in other collective investment undertakings (open-ended or closed-end);
- invest more than 20 per cent. (calculated at the time of any relevant investment) of its gross assets in other collective investment undertakings (open-ended or closed-end);
- expose more than 20 per cent. of its gross assets to the creditworthiness or solvency of any one counterparty (including the counterparty's subsidiaries or affiliates);
- invest in physical commodities;
- enter into derivative transactions for speculative purposes;
- take legal or management control of any of its investee companies; or
- conduct any significant trading activity.

In the event of any breach of the investment restrictions applicable to the Company, shareholders and warrantholders 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 and warrantholders at their registered addresses in accordance with the Articles and the Warrant Instrument.

Benchmark

The Company compares its performance against the currency-adjusted MSCI AC Asia Pacific (ex Japan) Index. 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 or benchmark and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage.

Investment Manager

The Company is managed by Aberdeen Private Wealth Management Limited (regulated by the Jersey Financial Services Commission) and day-to-day investment management decisions are delegated to Aberdeen Asset Management Asia Limited ("AAM Asia").

Capital Structure

At 31 December 2009 the Company had a capital structure comprising 109,790,000 Ordinary shares of no par value and 22,000,000 Warrants. 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. Each Warrant confers the right to subscribe in cash for one Ordinary share at a price of 120p on the twentieth business day after despatch of the Company's Annual or Half Yearly Reports each year, commencing on the twentieth business day after despatch of the Annual Report for the year ending 31 December 2009 and ending on the twentieth business day after despatch of the Annual Report for the year ending 31 December 2012.

The first Warrant exercise date will be 11 May 2010. Warrantholders should refer to the separate reminder letter accompanying this Annual Report.

The Company also had bank borrowings at 31 December 2009 amounting to £10.6 million which rank for repayment ahead of any capital return to shareholders.

Total Assets and Net Asset Value

The Company had total assets* of £165.0 million and a diluted net asset value of 137.2 pence per Ordinary share at 31 December 2009.

* see definition on page 54.

Websites

Further information on the Company may be obtained from the following websites:
www.asian-income.co.uk
www.aberdeen-asset.com

Company Secretary

Aberdeen Private Wealth Management Limited, No. 1 Seaton Place, St Helier, Jersey JE4 8YJ

Email: company.secretary@invtrusts.co.uk

Customer Services

Freephone: 0500 00 00 40 (open Monday – Friday, 9am – 5pm)

Email: inv.trusts@aberdeen-asset.com

Risk

An investment in the Ordinary shares and/or Warrants is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment and who have sufficient resources to bear any loss which may result from such investment. Furthermore, an investment in the Ordinary shares and/or Warrants should constitute part of a diversified investment portfolio. The risks described below are the principal risks which are considered by the Directors to be material to shareholders and potential investors in the Company. Greater detail on these risks is provided in note 16 to the financial statements.

Corporate Summary continued

Principal Risk Factors

Ordinary shares

The market price and the realisable value of the Ordinary shares, as well as being affected by their underlying net asset value, also take into account supply and demand for the Ordinary shares, market conditions and general investor sentiment. As such, the market value and the realisable value of the Ordinary shares may fluctuate and vary considerably from the net asset value of the Ordinary shares and investors may not be able to realise the value of their original investment. There is no guarantee that the Board's discount management policy will achieve its objective.

Warrants

Warrants represent a geared investment, so a relatively small movement in the market price of the Ordinary shares may result in a disproportionately large movement, unfavourable as well as favourable, in the market price of the Warrants.

Dividends

The Company will only pay dividends on the Ordinary shares to the extent that it has profits available for that purpose. The ability of the Company to pay any dividends in respect of the Ordinary shares and any future dividend growth will depend primarily on the level of income received from its investments. The Company's income is derived from ordinary and special dividends and the level of these dividends received in any year is liable to fluctuation. Accordingly, the amount of the dividends paid to shareholders may also fluctuate.

Borrowings

Whilst the use of borrowings should enhance the total return on the Ordinary shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is less than the cost of borrowing, further reducing the total return on the Ordinary shares.

Market Risks

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. Market risk comprises three elements, interest rate risk, currency risk and other price risk. Further details of these risks are disclosed in note 16 to the financial statements. Investment in emerging securities markets in the Asia Pacific region involves a greater degree of risk than that usually associated with investment in more developed securities markets, including the risk of social, economic and political instability which may have an adverse effect on economic returns or restrict investment opportunities.

General

The Company does not have a fixed winding-up date and, therefore, unless shareholders vote to wind up the Company, shareholders will only be able to realise their investment through the market.

Taxation and Exchange Controls

Any change in the Company's tax status or in taxation legislation (including the tax treatment of dividends or other investment income received by the Company) could affect the value of the investments held by the Company, affect the Company's ability to provide returns to shareholders or alter the post-tax returns to shareholders.

The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on its investments and the capital value of the affected investments.

Duration

The Company does not have a fixed life.

Share Dealing and ISA Status

Shares in Aberdeen Asian Income Fund Limited can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen savings scheme and are fully qualifying for inclusion within tax efficient ISA wrappers (see page 52).

Management Agreement

The Company has an agreement with Aberdeen Private Wealth Management Limited for the provision of management services, details of which are shown in note 5 to the financial statements. The Management Agreement provides for an investment management fee of 1.0 per cent. per annum of the Company's net assets, payable monthly in arrears. The Management Agreement also provides for a company secretarial and administration fee of £100,000 per annum, payable quarterly in arrears, which will be increased annually in line with any increases in RPI. The Management Agreement is terminable by either the Company or the Manager giving the other not less than 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 Private Wealth Management Limited, on the terms agreed, is in the interests of shareholders as a whole.

Chairman's Statement

Peter Arthur
Chairman

Highlights

- Diluted net asset value per Ordinary share ("NAV") up 27.0%
- Share price up 33.8%
- Total dividend increased by over 5% and payments moved to quarterly in 2010
- Share price discount to NAV tightened to 0.5%
- 1.35 million New shares issued at a premium to NAV

Background

For the period under review, your Company's NAV rose 27.0% to 137.2p. The share price gained 33.8% to 136.5p, representing a discount to NAV of 0.5%. In comparison, the benchmark MSCI All Country Asia Pacific ex-Japan Free Index rose 49.9%.

The underperformance relative to the benchmark should be taken in the context of the previous year's strong relative outperformance in a falling stockmarket. For the two years, the net asset value outperformed the benchmark by about 10%. This is understandable when one considers what has driven markets over the past two years and the higher-yielding nature of your Company's investments. In addition, it is worth reminding shareholders that your Managers construct the portfolio without reference to any benchmark. Therefore it is likely that performance will vary from that of the benchmark and that variation will not always be to shareholders' advantage.

2008 was the year of the subprime-led crisis, in which stock performance reflected the belief that the world was about to enter a second Great Depression. In this environment, the shares of companies with strong balance sheets, stable businesses and high dividend payout ratios – attributes that your Company looks for - held up relatively well, while those of weaker companies performed poorly. In contrast, 2009 was the year of policy-induced recovery, with risk appetite making a comeback and weaker, cyclical stocks previously considered at risk, performing the best. Against such a backdrop, the relative underperformance in 2009 is to be expected, as the companies favoured by your Manager, which on the whole are more defensive and better capitalised, lagged their higher-risk counterparts as markets rallied. In absolute terms, the majority of your Company's holdings posted share price gains for the review period. A more detailed account of performance is contained within the Manager's Review on page 8.

Overview

The stunning recovery of stockmarkets in 2009 took many by surprise. Early in the year, gloom and despondency were prevalent. Equities sank to their lows for the year in early March, as economic data worsened and corporate earnings pointed towards a deepening global recession. But, thereafter, sentiment reversed sharply on a growing collective realisation that the much-feared second Great Depression would be avoided.

The rebound was largely thanks to cranking of the governments' stimulus machinery into overdrive, along with very loose monetary policy, which buttressed economies and financial systems. The so-called "carry trade" also saw ultra-low interest rates in the US lead investors to use the US dollar as a cheap funding source for investments in higher-risk assets. This, in turn, supported stockmarkets and other risk assets, particularly in Asia and emerging economies, as cash-rich investors went in search of higher returns than those available from cash. In Asia, the best-performing markets were the domestically driven markets of Indonesia and India. Confidence-building election results also boosted stockmarkets in these two countries.

Given the supportive monetary and fiscal conditions, Asian economies showed quarter-on-quarter improvement as the year progressed. China, in particular, continued to outpace the region, helped by improving exports. Significantly, it displaced Germany as the world's top merchandise exporter in 2009. The recovery in regional growth, however, reignited inflation concerns, amid a sharp rise in the price of commodities and oil. Inflated asset values also raised the spectre of new bubbles, especially in China, which has seen a number of new IPOs and speculative pressures in the property market. In response, policymakers in Australia were quick to raise interest rates, three times in as many months, while India tightened reserve requirements for lenders, and have very recently been followed by China.

Dividends

On 16 July 2009 the Board declared a first interim dividend of 2.0p per Ordinary share in respect of the year ended 31 December 2009 (2008 - 2.0p), which was paid on 28 August 2009 to shareholders on the register on 24 July 2009. A second interim dividend of 3.0p per Ordinary share (2008 - 2.75p) was announced on 14 January 2010 and was paid on 19 February 2010 to shareholders on the register on 22 January 2010. The total dividend for the year was therefore 5p, a rise of a little over 5% on the previous year. Following the payment of the second interim dividend, the Company's brought forward year end revenue reserve stands at £3.0m. It is our intention in the current year to move to quarterly dividends. The first we anticipate will be declared in April.

I commented last year that, given the economic and commercial conditions in Asia, we feared that pressure on corporate earnings would in turn lead to pressure on dividends. That did indeed happen in some cases and we certainly saw special dividends drop sharply. Thankfully, sterling's weakness greatly mitigated this negative influence when the Asian dividends were translated back into sterling.

Looking ahead, your Managers are cautious about the prospects for corporate earnings, given signs of rising inflation that could increase costs and damage margins, but they do anticipate earnings for the portfolio's underlying holdings to rise in the current year. It is anticipated that the majority of the portfolio's holdings will maintain their steady dividend payouts, underlining their financial strength and regard for shareholders' interests.

Share Issuance and Gearing

Your Board has absolute discretion to make purchases of Ordinary shares, subject to the Listing Rules and Jersey law and the Directors will consider the merits of making further purchases of Ordinary shares subject to the volatility of the markets, if and when any suitable opportunities arise in the future. During the year, the Company issued 1.35 million new Ordinary shares at a premium to the prevailing NAV and in response to on-going demand from the market. Such issues enhance the NAV, albeit marginally, for underlying shareholders. At the time of writing the Ordinary shares are trading at a small discount to NAV of 2.5%.

During the year the amount of short term borrowings under the Company's loan facility was reduced from £15.7 million to £10.5 million. On 31 March 2010 the Company's bank facility with Barclays Bank was repaid and replaced with a new £15 million 12 month multi currency facility with Scotia Bank. Your Board is responsible for establishing and implementing the Company's gearing strategy as advised by your Managers and will continue to have a close regard to the level of gearing in the context of the current volatility in stockmarket conditions. At the time of writing bank borrowings represent approximately 7.5% of the Company's net assets.

Outlook

Asia remains a compelling long-term growth story. We view the earlier market pullback as healthy, given the phenomenal returns of 2009, and expect that long-term returns from equities will continue to reflect the region's strong fundamentals. Although a relapse in the West will not leave Asia unscathed, the region appears well able to absorb the impact of a potential double-dip recession as it continues to decouple.

Admittedly, some headwinds are building. Loose monetary policy and government stimulus have supported economies but created unintended problems, such as rising inflationary pressures and potential asset bubbles. Speculative capital inflows have exacerbated economic stresses. More countries are likely to follow China and Australia's lead in considering stimulus withdrawal.

However, unlike the West, encumbered with rising fiscal indebtedness, Asia's economies are on a much stronger footing. Healthy corporate, government and personal balance sheets, as well as a growing middle class that will spur domestic demand, serve as the bedrock of economic stability. Domestic consumption, in particular, will help plug the hole left by significantly weaker demand for exports from the West. Corporate prospects look more positive as the earnings cycle appears to have turned, although deep cost cutting and inventory restocking have flattered recent results. We expect Asia to continue to lead global growth.

Ultimately, we believe that nothing beats investing in well-run companies, particularly those boasting a healthy dividend yield, and we are confident that your Managers have found excellent candidates in your Company's holdings. The long-term outlook for Asia's economies remains healthy and, relative to those of the West, very positive.

Alternative Investment Fund Manager (AIFM) Directive

The European Commission published the draft AIFM Directive in April 2009. Its purpose is to introduce a new authorisation and supervisory regime for all alternative investment fund managers managing alternative investment funds within the European Union. If implemented as currently drafted, the Directive would impose an onerous additional regulatory burden on investment companies, with potentially adverse consequences. The Board supports the efforts of the Association of Investment Companies to ensure that any such proposed regulation is proportionate and appropriate in relation to investment companies.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 9.30 a.m. on Thursday 13 May 2010 at No.1 Seaton Place, St Helier, Jersey and your Board looks forward to meeting as many shareholders as possible. We will also be holding an informal shareholder presentation in London at 12.30 p.m. on Friday 14 May 2010 at Bow Bells House, 1 Bread Street, London EC4M 9HH for those shareholders who are unable to travel to Jersey for the AGM. The presentation will be accompanied by a buffet lunch and will provide shareholders with an opportunity to meet representatives from the management team and to receive a general update on the Company and the markets in Asia. The meeting in London will not constitute a formal meeting of the Company and there will not be any resolutions to vote upon. Accordingly, If you are unable to attend the AGM, I would encourage you to vote by returning your proxy (or letter of directions if you invest via the Aberdeen ISA or Savings Plan) which is enclosed with the Annual Report and Accounts. If you intend to attend either of the meetings, I would also be grateful if you would tick the relevant box when voting.

I look forward to reporting to you again with the Half Yearly Report to 30 June 2010, which will be issued to shareholders at the end of August 2010. Those shareholders who wish to keep up to date with developments between formal reports may wish to visit the Company's own website at www.asian-income.co.uk where there are monthly updates from the Manager as well as the latest net asset value and share price information which is updated daily.

Peter Arthur
Chairman
31 March 2010

Manager's Review

Overview

After a dismal start to the year, Asian equities rebounded sharply in early spring and enjoyed an almost uninterrupted rally until the end of 2009. Risk appetite returned amid signs of economic stabilisation.

The dramatic reversal in sentiment confounded the many that feared a repeat of The Great Depression. Initially, companies with shaky balance sheets and cyclical businesses were among the worst hit by the continuing fallout of the financial crisis. As exports tumbled on the back of shrinking demand, regional governments unveiled a string of new fiscal measures, including massive expenditure programmes and more tax breaks to boost growth. Asian central banks offered additional support by cutting interest rates to historical lows as inflation fears retreated. Sentiment finally turned around in March as investors concluded that interventions were enough to avert a financial collapse. Investors took advantage of easy credit and bought back stocks that bore the brunt of the earlier sell-off, driving up share prices along the way. By the end of the reporting period, stockmarkets in Asia (excluding Japan) far outpaced those in the US and Europe.

Economic news reinforced the notion that Asia would continue to lead the global recovery. Many regional economies started expanding again towards the end of 2009 despite shrinking sharply at the start of the year. China, India and Indonesia were among a handful of economies that continued to expand throughout the crisis, albeit at a slower pace, while the rest of the region emerged from the recession. Australia benefited from a recovery in consumer and business spending, while export-oriented Singapore and South Korea were aided by a pick-up in intra-regional trade.

Performance Review

Unlike the previous year when high-quality companies with sound finances were the out-performers, the drivers for 2009 were the reverse. Many of the year's best performers were lower-quality, cyclical stocks, previously considered at risk in a depression environment. Against this backdrop, the portfolio achieved a return of 32.8% in sterling terms with the shares rising 40.1%. While this was a strong performance on an absolute basis, it was behind the benchmark MSCI AC Asia Pacific (excluding Japan) Index's gain of 54.6%. The disparity may appear to be a let down, but it is worth putting in the context of strong relative performance in 2008.

Over three years, the performance of both your Company's diluted NAV per Ordinary share (+40.5%) and share price (+40.0%) has been satisfactory, having closely tracked the benchmark (+40.5%). Since inception in December 2005, the total returns of your Company's diluted NAV per Ordinary share and share price have been +61.74% and +54.40% respectively, compared to the benchmark's rise of 67.33%.

It is important to note that most of the portfolio's holdings also participated in the strong run-up, albeit lagging. Among the top ten holdings, all except for Malaysian-listed British American Tobacco produced double or triple-digit returns in absolute terms during the year under review.

Our financial holdings, in particular, performed very well, as interest margins expanded. Regional financial institutions, which were not as excessively leveraged as their counterparts in the US and Europe, avoided the huge losses suffered in the West and all our holdings survived the downturn without requiring government support. Commonwealth Bank of Australia topped the list of best performers, gaining more than 138% in 2009. While impairment costs hurt its annual earnings, the Australian lender with the largest mortgage business among the big four local banks had benefited from the government's grants for first-time home buyers, which bolstered home loans. The lender is also in a good financial shape to take advantage of the domestic economic recovery. It raised over A$3 billion through the sale of hybrid securities to beef up its balance sheet. In similar fashion, Australia & New Zealand Banking Corp rose more than 85%.

In Singapore, where the portfolio has a heavy position compared to the benchmark, Oversea-Chinese Banking Corporation (OCBC) and United Overseas Bank returned 76% and 46% respectively, lifted by buoyant sentiment in the domestic property market and healthy earnings growth. Both banks have little or no exposure to the debt woes in the Middle East, where Abu Dhabi had to rescue Dubai, and have selectively expanded into the region to boost growth. For example, OCBC became one of the region's top ten private banks after buying the Asian private banking unit of Dutch bank ING. The acquisition should help strengthen its private banking capability, while tripling assets under management. Investor sentiment in Singapore generally was bolstered by a stream of mostly upbeat global macroeconomic news in the second half of the year, and hopes that the two integrated resorts which will be operational by the first quarter of 2010 would boost tourism. The portfolio has long maintained the overweight bias to the city state, where consistent and rational economic policy and a high level of transparency have nurtured some of Asia's best companies. In addition, many locally-listed companies derive a substantial portion of their revenue from the broader region, thus presenting an excellent way of gaining exposure to the long-term growth story in Asia.

Another two of the portfolio's holdings that contributed to absolute performance are Hong Kong-based. Kingmaker, a conservatively-run footwear manufacturer, benefited from reduced competition in the sector. It reported encouraging interim results, helped by a shift in its product mix towards higher margin products. Industrial conglomerate Swire Pacific gained from improving demand in both the aviation and property sectors as well as robust retail sales over the holiday season.

In addition, our Thai holdings, and an overweight position to the kingdom, also worked to the portfolio's advantage. Among our holdings, notable outperformers were Siam Cement and Hana Microelectronics, both of which gained around120% in 2009. Robust quarterly results and expectations of a recovery in demand on the back of government stimulus packages underpinned Siam Cement. Hana Microelectronics' shares rebounded in the second quarter, thanks to a strong rise in orders. Nevertheless, management remains cautious in its earnings outlook because of uncertain economic prospects. Although Siam Makro (+30.8%) and PTTEP (+33.1%) lagged the rise in the local market, the two companies have delivered solid performances over the past few years.

On the flip side, three of the portfolio's holdings disappointed, at least in terms of share price performance. They were: British American Tobacco Malaysia (BAT), Malaysian mobile operator Digi and Singapore-based transport operator SBS Transit. BAT was weighed down by higher costs and lower sales amid rising sales of illicit cigarettes. Its annual operating profits may come under further pressure when the impending ban on smaller cigarette packs is implemented. On a more optimistic note, BAT expects to benefit from the policy to set a minimum price for cigarettes as the move is expected to prevent dumping of cheap cigarettes.

Digi disappointed, largely owing to investor attention shifting towards re-listed Maxis Communications. On the operations side, the average revenue per user fell, in particular in the low-income market segment which was more sensitive to the global economic downturn. As local competition intensifies, the mobile phone company may struggle to improve earnings growth in the short term. However, it continues to generate strong cash flow and its yields remain attractive. The company raised its minimum dividend payout policy to 80% of profits, up from 50% previously; it also announced a special dividend of 75 sen, bringing the total dividend for the first three quarters to M$1.24, which translates into a 9% yield.

SBS Transit, a unit of Singapore-based transport company ComfortDelgro, is a fairly defensive business running Singapore's largest bus fleet but was hurt by the rising oil price. Its robust balance sheet and yield, however, remain key strengths. Singapore Press Holdings and SingTel also lagged the rise in the market, although both produced positive returns. Defensive sectors lagged riskier names in the liquidity-driven rally as interest rotated to cyclical stocks.

Portfolio Activity

There was minimal turnover in the portfolio during the year. Apart from the divestment of Australian gaming group Tabcorp Holdings because of the unpredictable regulatory environment, the other significant transaction during the reporting period was the sale of Hong Kong Exchanges and Clearing (HKEx) previously highlighted in the Half Yearly Report. We had initiated a position in HKEx only recently, but the share price rose rapidly before we were able to build a significant position. Thus we took profits but are keeping an eye on the company; we think it is of high quality and has a strong competitive advantage.

Outlook

The swift turnaround in Asian equity markets in 2009 was remarkable, but it will be harder to make further headway, given the stellar performance last year. We do project earnings growth for the year ahead, but while Asia has led the world out of the economic slump, uncertainties surrounding the sustainability of recovery remain.

Inflationary pressures are accelerating in tandem with the region's economic recovery, which has prompted authorities to rein in expansionary policies. Australia has already raised interest rates three times; China has begun increasing banks' reserve ratio, while India is under significant pressure to tighten policy as it confronts the effects of a weak monsoon. For now, most regional governments have decided to maintain stimulus efforts, but they face the challenge of executing a timely exit. A hasty withdrawal may push economies back into recession; conversely, loose monetary policies may stoke new speculative bubbles if they are continued for too long.

There are growing concerns that the influx of liquidity and governments' pump-priming efforts are inflating asset price bubbles in Asia, most evident in property prices in China, Hong Kong and Singapore. Furthermore, the West is still hobbled by structural problems relating to unemployment, burgeoning consumer debt and fiscal deficits. Unless these imbalances are resolved, the sustainability of the incipient recovery remains in doubt. A gradual appreciation of Asian currencies, in particular the renminbi, would contribute to a more balanced world economy, but China's reluctance to heed calls for its currency to strengthen could exacerbate the problem.

Caution is warranted in view of the increasing headwinds. Longer term, however, we remain optimistic about the prospects for Asia. Valuations are no longer cheap following the robust recovery in share prices, but they still look reasonable, given Asia's fundamental strengths such as low levels of corporate and government debt. Stock picking will become increasingly important as investor attention refocuses on fundamentals, but with our strong discipline and careful stock selection process, we believe we are well placed to identify undervalued securities that will outperform in the long term.

Aberdeen Asset Management Asia Limited

31 March 2010

Results

Financial Highlights

	31 December 2009	31 December 2008	% change
Total assets (see definition on page 54)	£164,956,000	£132,815,000	+24.2
Total equity shareholders' funds (Net Assets)	£154,398,000	£117,129,000	+31.8
Share price (mid market)	136.50p	102.00p	+33.8
Net asset value per share (basic)	140.63p	108.01p	+30.2
Net asset value per share (diluted)	137.19p	108.01p	+27.0
Discount to diluted net asset value	0.5%	5.6%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis)	482.62	321.89	+49.9
Actual gearing	4.1%	9.2%	
Potential gearing	6.8%	13.4%	
Dividend and earnings			
Total return per share [A]	37.47p	(10.80)p	
Revenue return per share [A]	5.54p	5.69p	–2.6
Dividends per share [B]	5.00p	4.75p	+5.3
Dividend cover	1.11	1.20	
Revenue reserves	£6.32m	£5.44m	
Operating costs			
Total expense ratio	1.44%	1.57%	

[A] Measures the relevant earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).

[B] The figure for dividends reflects the years in which they were earned (see note 8 on pages 38 and 39).

Performance (total return)

	1 year % return	Since inception[A] % return
Share price	+40.1	+54.4
Net asset value (diluted)	+32.8	+57.8
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	+54.6	+67.3

[A] Inception being 20 December 2005.

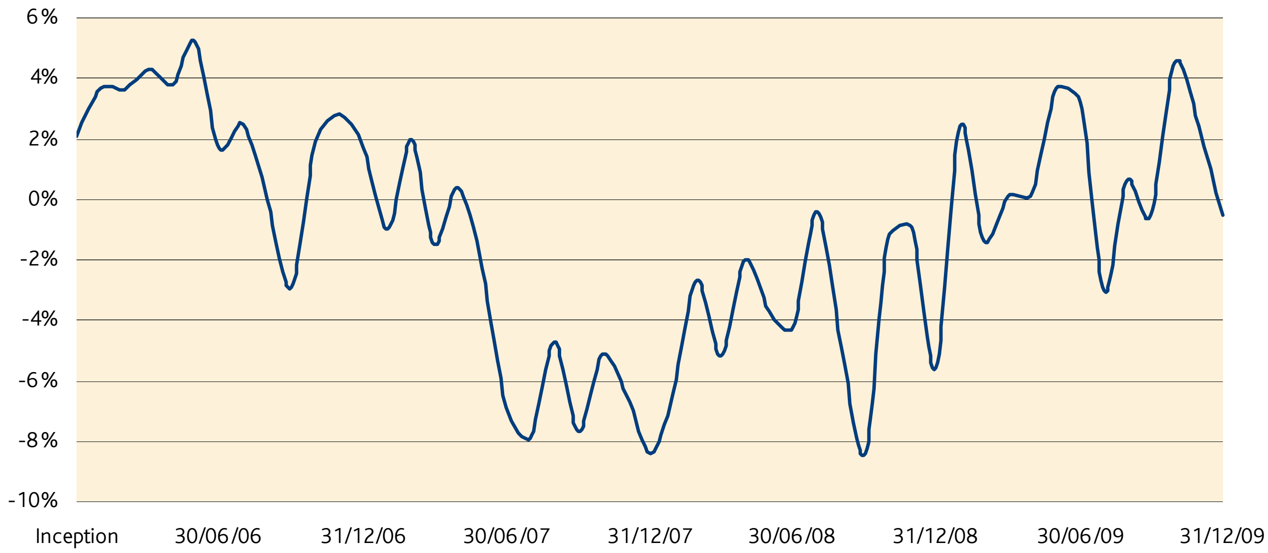
Dividends

	Rate per share	xd date	Record date	Payment date
First interim 2009	2.00p	22 July 2009	24 July 2009	28 August 2009
Second interim 2009	3.00p	20 January 2010	22 January 2010	19 February 2010
2009	**5.00p**			
First interim 2008	2.00p	23 July 2008	25 July 2008	28 August 2008
Second interim 2008	2.75p	21 January 2009	23 January 2009	20 February 2009
2008	**4.75p**			

Performance

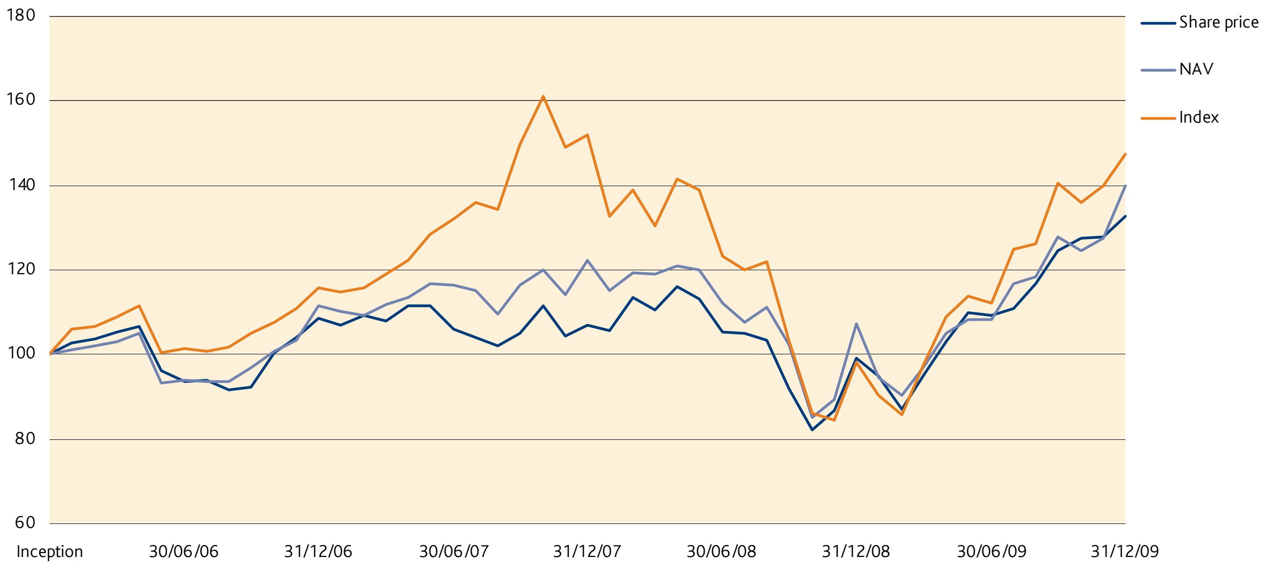
Share Price Premium/(Discount) to Diluted NAV

Launch (20 December 2005) to 31 December 2009



Capital Return of NAV and Share Price vs MSCI AC Asia Pacific Free ex Japan Index

Launch (20 December 2005) to 31 December 2009 (rebased to 100 at 20/12/05)



Investment Portfolio – Ten Largest Investments

As at 31 December 2009

Company	Sector	Country of activity	Valuation 2009 £'000	Total assets %[B]	Valuation 2008 £'000[C]
DB Indo CLN 10% 22/07/17 IDR 'FR28'					
Credit linked note issued by Deutsche Bank and linked to the Indonesia Government Bond 10% 07/17 as the underlying asset.	Government Securities	Indonesia	9,742	5.9	8,323
Siam Cement					
Thailand's largest industrial conglomerate with operations in petrochemicals, cement, paper and building materials.	Construction Materials	Thailand	8,656	5.2	4,251
Taiwan Mobile					
One of the leading domestic mobile phone operators, with over 30% market share. Recent results have shown flat revenues due to the maturity of the market, but the company continues to exert good cost controls.	Wireless Telecommunication Services	Taiwan	7,988	4.8	6,748
United Overseas Bank					
Historically, this Singapore bank has earned a higher return on its business than its competitors. The bank also looks good in regional terms with a strong capital base and impressive cost-to-income ratio. It has also embarked on a selective regional expansion.	Commercial Banks	Singapore	7,725	4.7	4,422
Swire Pacific					
A Hong Kong-listed conglomerate, with interests in aviation (via Cathay Pacific), property, beverages, marine services and industrial activities.	Real Estate Management & Development	Hong Kong	7,459	4.5	4,955
Oversea-Chinese Banking Corporation					
A well-run Singaporean bancassurance company seeking to generate additional value for shareholders by restructuring assets and via regional expansion.	Commercial Banks	Singapore	7,337	4.4	4,408
Taiwan Semiconductor					
The world's largest dedicated semiconductor foundry, it provides wafer manufacturing, wafer probing, assembly and testing, mask production and design services.	Semiconductors & Semiconductor Equipment	Taiwan	7,129	4.3	5,353
QBE Insurance Group					
One of Australia's leading general insurance and reinsurance companies. Its business is diversified geographically across five locations, and it has a good, long-term track record of generating shareholder returns.	Insurance	Australia	7,049	4.3	4,727
British American Tobacco					
Manufacturer & marketer of tobacco products in Malaysia through BAT's international brands such as Dunhill and Lucky Strike.	Tobacco	Malaysia	6,967	4.2	7,960
Commonwealth Bank of Australia					
One of Australia's big four lenders with the largest domestic retail banking business.	Commercial Banks	Australia	6,867	4.2	3,148
Top ten investments			**76,919**	**46.5**	

Investment Portfolio – Other Investments

As at 31 December 2009

Company	Sector	Country of activity	Valuation 2009 £'000	Total assets %[B]	Valuation 2008 £'000[C]
PTT Exploration & Production	Oil, Gas & Consumable Fuels	Thailand	6,385	3.9	5,004
Australia & New Zealand Banking Group	Commercial Banks	Australia	5,731	3.5	3,332
Singapore Technologies Engineering	Aerospace & Defence	Singapore	4,859	2.9	3,890
PetroChina	Oil, Gas & Consumable Fuels	China	4,833	2.9	3,955
Telstra	Diversified Telecommunications	Australia	4,762	2.9	4,631
Guinness Anchor	Beverages	Malaysia	4,651	2.8	3,756
Singapore Telecommunications	Diversified Telecommunications	Singapore	4,622	2.8	4,161
Public Bank	Commercial Banks	Malaysia	4,342	2.6	3,790
Singapore Press Holdings	Media	Singapore	4,290	2.6	3,979
Digi Com	Wireless Telecommunication Services	Malaysia	4,266	2.6	4,603
Top twenty investments			**125,660**	**76.0**	
Advanced Information Services	Wireless Telecommunication Services	Thailand	3,978	2.4	3,923
Hong Leong Finance	Consumer Finance	Singapore	3,972	2.4	2,821
Telekomunikasi Indonesia	Diversified Telecommunications	Indonesia	3,497	2.1	2,454
Hong Leong Bank	Commercial Banks	Malaysia	3,438	2.1	2,409
Singapore Post	Air Freight & Logistics	Singapore	3,243	2.0	2,776
Telecom Corp of New Zealand	Diversified Telecommunications	New Zealand	3,047	1.8	2,495
Siam Makro	Food & Staples Retailing	Thailand	2,827	1.7	2,331
SBS Transit	Road & Rail Operator	Singapore	2,454	1.5	2,640
Bank Of Philippine Islands	Commercial Banks	Philippines	2,291	1.4	2,001
Giordano International	Speciality Retail	Hong Kong	1,969	1.2	1,848
Top thirty investments			**156,376**	**94.6**	
Hana Microelectronics	Electronic Equipment & Instruments	Thailand	1,739	1.1	891
Pos Malaysia	Air Freight & Logistics	Malaysia	1,548	1.0	1,624
Kingmaker Footwear	Textiles, Apparel & Luxury Goods	Hong Kong	750	0.5	435
Total value of investments			**160,413**	**97.2**	
Net current assets[A]			**4,543**	**2.8**	
Total assets[B]			**164,956**	**100.0**	

[A] Excluding bank loans of £10,558,000.

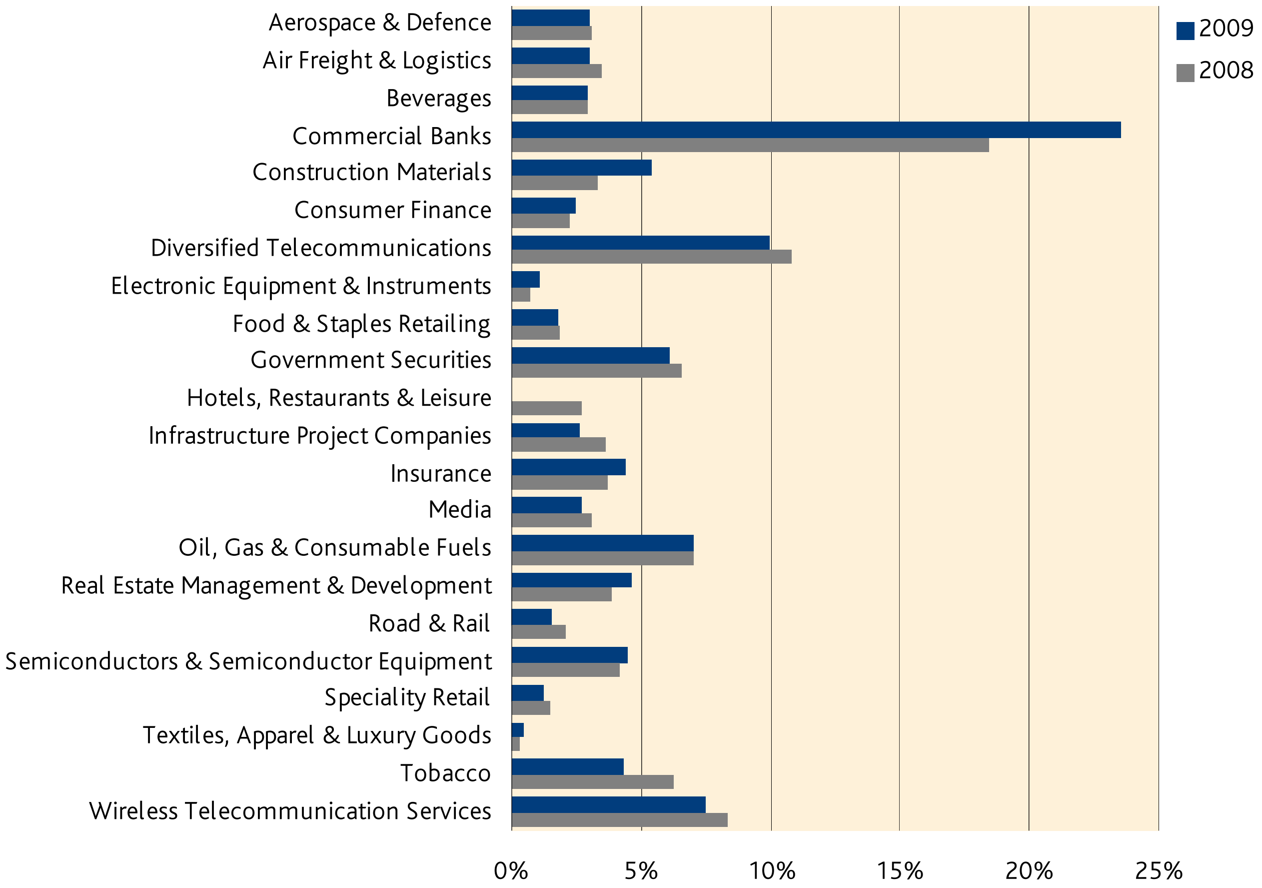
[B] See definition on page 54.

[C] Purchases and/or sales effected during the year will result in 2008 and 2009 values not being directly comparable.

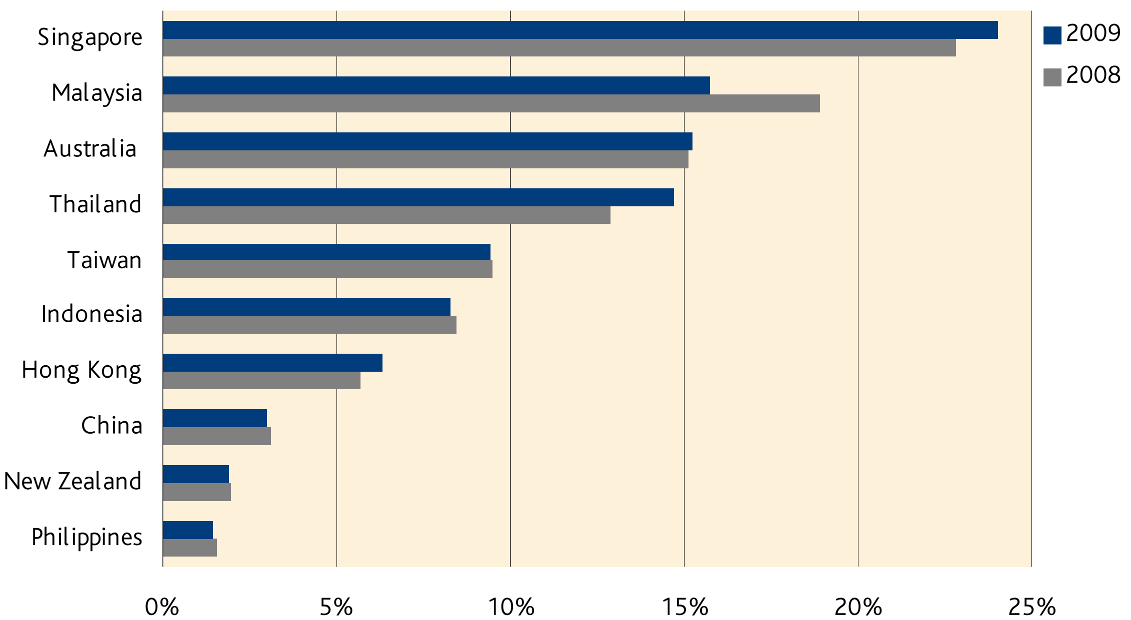
Sector/Geographical Analysis

As at 31 December 2009

Sector Breakdown



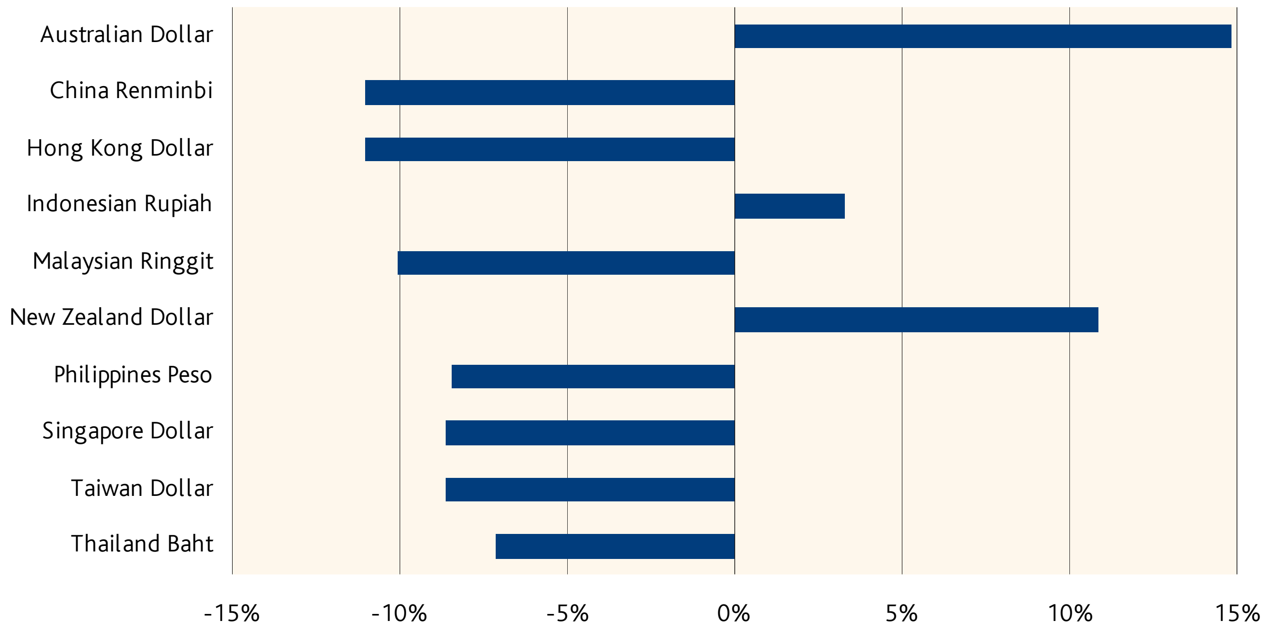
Geographic Breakdown



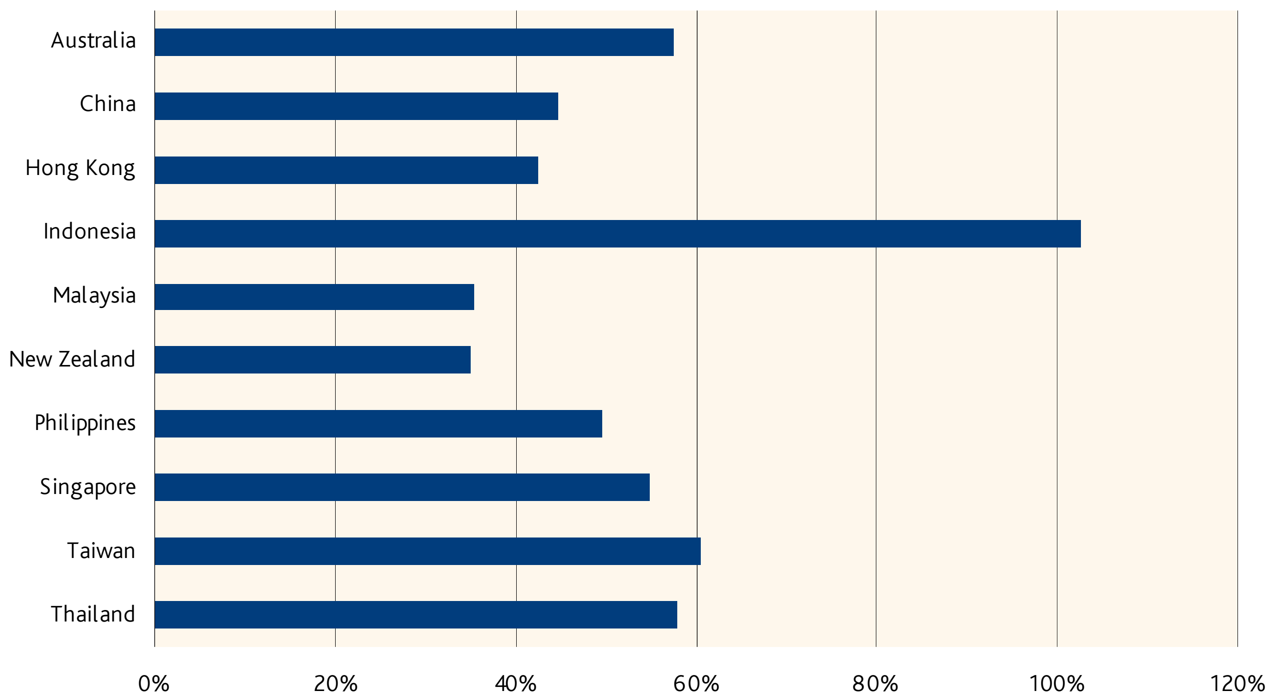
Currency/Market Performance

Year to 31 December 2009

Currency Returns (£)



MSCI Country Index Total Returns (£)



Information about the Manager

Aberdeen Asian Income Fund Limited

The investment management of the Company has been delegated by Aberdeen Private Wealth Management Limited to Aberdeen Asset Management Asia Limited ("AAM Asia"). AAM Asia is based in Singapore and is a wholly-owned subsidiary and the Asia Pacific headquarters of Aberdeen Asset Management PLC (the "Aberdeen Group"), a publicly-quoted company on the London Exchange.

Worldwide, the Aberdeen Group manages a combined £143.8 billion (as at 31 December 2009) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

AAM Asia have been the Aberdeen Group's principal managers of Asia-Pacific assets since 1992, and had over 350 staff in the region at 31 December 2009. Total funds in the region, which are also managed from Sydney, Kuala Lumpur, Hong Kong and Bangkok, are over £40.1 billion as at 31 December 2009.

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

The Aberdeen Group manages over 44 investment companies and other closed-ended funds representing £9.9 billion under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

The Investment Team Senior Managers

Hugh Young
Managing Director
BA in Politics from Exeter University. Started investment career in 1980. In charge of AAM Asia's Far East funds since 1985.

Chou Chong
Investment Director
Masters in accounting and finance from the London School of Economics. Joined Aberdeen in 1989 and was investment director in Australia followed by head of the pan-European desk in the UK before returning to Singapore in 2008

Flavia Cheong
Investment Director
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 Aberdeen in August 1996.

Chris Wong
Senior Investment Manager
BA in accounting and finance from Heriot Watt University. Joined Aberdeen in 2001 having previously been an associate director at Andersen Corporate Finance.

Adrian Lim
Senior Investment Manager
Chartered Financial Analyst, B.Acc from Nanyang Technological University (Singapore). Joined Aberdeen in 2000. Previously he was an associate director at Arthur Andersen advising on mergers & acquisitions in South East Asia.

Andrew Gillan
Senior Investment Manager
MA Joint Honours in French and European History from University of Edinburgh. Joined Aberdeen in September 2000 and transferred to Aberdeen Asia in November 2001.

The Investment Process

Philosophy and Style

The Investment Manager's investment philosophy is that markets are not always efficient. We believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or top slice positions, which typically accounts for the bulk of the activity within the portfolio during the period under review.

Asset Allocation and Stock Selection

AAM Asia is based in Singapore. Founded in 1992, the office is run by Hugh Young, the founding managing director. Hugh Young oversees a team of portfolio managers in Singapore who act as generalists, cross-covering the region. In addition, AAM Asia has offices in Sydney, Kuala Lumpur, Hong Kong and Bangkok.

Risk Controls

Aberdeen seeks to minimise risk by its in depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

Aberdeen'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 Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.

Regional Teams

Your Board of Directors

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

Peter Arthur

Status: Independent Non-Executive Director and Chairman
Age: 53
Length of service: 4 years, appointed a Director on 10 November 2005
Last re-elected to the Board: 15 April 2008
Experience: Qualified as a solicitor and chartered company secretary and was for five years an executive director of ISIS Asset Management plc until its acquisition of F&C Asset Management Limited in October 2004 where most recently he was managing director with responsibility for the group's investment trust and institutional businesses. Prior to this, he was chief legal counsel, Europe for Franklin Templeton Global Investors Ltd. He had previously served 14 years with Edinburgh Fund Managers plc, latterly as joint managing director.
Committee membership: Management Engagement Committee and Nomination Committee
Remuneration: £25,000 per annum
All other public company directorships: director of Proven Health VCT plc
Employment by the Manager or AAM Asia: None
Other connections with Trust or manager: None (refer to page 14 of the Statement of Corporate Governance)
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 27,653 Ordinary shares and 2,500 Warrants)

Andrey Berzins

Status: Independent Non-Executive Director and Audit Committee Chairman
Age: 50
Length of service: 4 years, appointed a Director on 10 November 2005
Last re-elected to the Board: 5 May 2009
Experience: Qualified as a chartered accountant in England and worked for KPMG in Hong Kong. In 1989, he joined the Suez group's Asian private equity division, where he is currently the managing director. He has been resident in Asia since 1984, and a Singapore resident since 1996. Over the past 16 years he has been involved in numerous Asian private equity transactions covering a variety of industries and countries. He also holds several directorships of private equity-backed companies.
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £20,000 per annum
All other public company directorships: None
Employment by the Manager or AAM Asia: None
Other connections with Trust or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 50,000 Ordinary shares and 5,000 Warrants

Duncan Baxter

Status: Senior Independent Non-Executive Director
Age: 58
Length of service: 4 years, appointed a Director on 10 November 2005
Last re-elected to the Board: 15 April 2008
Experience: A senior banker with 25 years' experience of international banking, latterly as managing director of Swiss Bank Corporation in Jersey. He is a Jersey resident and is currently a director of AiM-listed Highland Gold Mining Limited and he also holds several non-executive-directorships, including Alternative Investment Strategies Limited.
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £17,500 per annum
All other public company directorships: Highland Gold Mining Limited
Employment by the Manager or AAM Asia: None
Other connections with Trust or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 25,000 Ordinary shares

Martyn Chambers

Status: Independent Non-Executive Director and Nomination Committee Chairman
Age: 70
Length of service: 3 years, appointed a Director on 10 November 2005
Last re-elected to the Board: 16 May 2009
Experience: Retired as managing director of Hill Samuel Jersey Limited and as a director of Hill Samuel, London, in 1996. From 1993 to 1995 he was chief executive of TSB Bank (Channel Islands) Limited. He is a Jersey resident.
Committee membership: Audit Committee, Management Engagement Committee and Chairman of Nomination Committee
Remuneration: £17,500 per annum
All other public company directorships: None
Employment by the Manager or AAM Asia: None
Other connections with Trust or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 5,000 Ordinary shares and 500 Warrants

Ana Cukic Armstrong

Status: Independent Non-Executive Director
Age: 37
Length of service: 3 years, appointed a Director on 11 November 2005
Last re-elected to the Board: 17 April 2007
Experience: Is joint managing partner and heads portfolio strategy and construction at Armstrong Investment Managers. Previously co-head of Insight Investment's Multi-Asset group from November 2003 to April 2009 having previously worked at UBS Wealth Management as Director & Head of Portfolio Construction and Fischer Francis as a fixed income and futures trader. Ana holds a PhD in Quantitative Economics and an MBA in Finance from Imperial College, London.
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £17,500 per annum
All other public company directorships: None
Employment by the Manager or AAM Asia: None
Other connections with Trust or manager: None (refer to page 14 of the Statement of Corporate Governance)
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 3,580 Ordinary shares

Hugh Young

Status: Non-Executive Director
Age: 52
Length of service: 3 years, appointed a Director on 11 November 2005
Last re-elected to the Board: 16 May 2009
Experience: Is a resident of Singapore and was an investment manager with Fidelity International and MGM Assurance prior to joining what is now Aberdeen Asset Managers Limited in December 1985. He is Managing Director of Aberdeen Asset Management Asia Limited, responsible for all the Aberdeen Group's investments in Asia.
Committee membership: Nomination Committee
Remuneration: £17,500 per annum
All other public company directorships: Aberdeen New Dawn Investment Trust PLC, Aberdeen New Thai Investment Trust PLC, Aberdeen Australia Equity Fund Inc., Aberdeen Asia-Pacific Income Investment Company Limited
Employment by the Manager or AAM Asia: None, other than as stated above
Other connections with Trust or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 25,000 Ordinary shares and 2,500 Warrants

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 31 December 2009.

Business Review

A review of the Company's activities is given in the Corporate Summary on pages 2 to 4, the Chairman's Statement on pages 5 to 7 and the Manager's Review on pages 8 and 9. This includes a review of the business of the Company and its principal activities, likely future developments of the business, dividends declared and details of the issue of shares during the year by the Company. The major risks associated with the Company are detailed in the Corporate Summary on pages 2 to 4 and in note 16 to the financial statements. The Key Performance Indicators for the Company including NAV performance, share price performance and benchmark performance are detailed on page 10.

The current Directors, Messrs P Arthur, D Baxter, A Berzins, M Chambers, H Young and Dr A Cukic Armstrong were the only Directors in office during the year.

The Company does not make political donations or expenditures and has not made any donations for charitable purposes during the year and in common with most investment trusts, the Company has no employees. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Results and Dividends

Details of the Company's results and dividends are shown on page 10 and in note 8 to the Financial Statements. Up to 31 December 2009 the Company policy was to pay dividends on its Ordinary shares twice a year, in February and August, both in the form of interim dividends (the Company does not pay a final dividend). With effect from 1 January 2010 interim dividends will be paid on a quarterly basis in May, August, November and February. Dividends are paid to the extent that they are covered by the income received from the Company's underlying investments. As at 31 December 2009 the Company's brought forward revenue reserves amounted to £3.0m after the payment of the second interim dividend.

Principal Activity

The business of the Company is that of an investment company investing in the Asia Pacific region. The objective of the Company is set out on page 2 of this Report.

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.

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

The Company intends to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account ('ISA') and it is the Directors' intention that the Company should continue to be a qualifying trust.

Share Capital

As at 31 December 2009 there were 109,790,000 Ordinary shares and 22,000,000 Warrants in issue. During the year the Company issued a total of 1.35 million new Ordinary shares for cash at a premium to the prevailing NAV at the time of issue. Subsequent to the year end a further 1.2 million new Ordinary shares were issued for cash.

Directors

Details of the current Directors of the Company are shown on pages 18 and 19.

In accordance with the Articles of Association Dr Cukic Armstrong will retire by rotation at the Annual General Meeting, and, being eligible, offer herself for re-election. 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 Directors contribute effectively. Mr H Young is managing director of AAM Asia and, therefore, cannot be treated as an independent Director for the purposes of the Listing Rules. Accordingly, he is subject to annual re-election by shareholders as required by the Listing Rules.

The Directors and their beneficial interests in the share capital of the Company as at 31 December 2009 were as follows:

	31 December 2009		**31 December 2008**	
	Ordinary shares	**Warrants**	**Ordinary shares**	**Warrants**
P Arthur	26,952	2,500	25,000	2,500
D Baxter	25,000	-	25,000	-
A Berzins	50,000	5,000	50,000	5,000
M Chambers	5,000	500	5,000	500
A Cukic Armstrong	3,360	-	2,304	-
H Young	25,000	2,500	25,000	2,500

Subsequent to the year end, Mr P Arthur's beneficial holding increased to 27,653 Ordinary shares by the acquisition, through the Aberdeen Share Plan, of 229 Ordinary shares, 42 Ordinary shares, 218 Ordinary shares and 212 Ordinary shares on 22 January 2010, 19 and 22 February 2010 and 22 March 2010; and, Dr A Cukic Armstrong's beneficial holding increased to 3,580 Ordinary shares by the acquisition, through the Aberdeen Share Plan, of 77 Ordinary shares, 72 Ordinary shares and 71 Ordinary shares on 22 January 2010, 22 February 2010 and 22 March 2010 respectively. The other Directors' share interests were unchanged at 31 March 2010, being the nearest practicable date prior to the signing of this Report.

No Director has a service contract with the Company.

The Directors' interests in contractual arrangements with the Company are as shown in note 18 to the financial statements. No other Directors were interested in contracts with the Company.

Directors' Authority to Allot Relevant Securities

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. Accordingly, the Articles of Association authorise the Directors to allot an unlimited number of Ordinary shares without pre-emption rights applying for shareholders. Ordinary shares will only be issued at a premium to the prevailing net asset value per Ordinary share and, therefore, will not be disadvantageous to existing shareholders or warrantholders. Any future issues of Ordinary shares will be carried out in accordance with the Listing Rules. During the year 1.35 million new Ordinary shares were issued. Subsequent to the year end a total of 1.2 million new Ordinary shares have been issued for cash.

Amendment to Articles

The Company currently has a primary listing on the official list of the UK Listing Authority. From 6 April 2010, the structure of the UK listing regime is changing primarily as a result of the evolution of UK and global markets but also to reduce the potential for confusion over the current regime. The Financial Services Authority (FSA) is replacing primary and secondary listing with premium and standard listing. All closed ended investment funds will be required to have a premium listing.

The FSA is also taking the opportunity to bring the requirements for overseas companies in relation to corporate governance and pre-emption rights into line with those for UK companies. Although at present, as an overseas company with a primary listing, the Company is generally subject to the same regulatory requirements as a UK company, it currently benefits from less onerous requirements in relation to corporate governance. In addition, as a Jersey incorporated entity, it is not subject to pre-emption rights under Jersey law nor under its articles of association. From April 2010, all overseas companies with a premium listing will be required to:

- Include in their annual report and accounts an amended corporate governance statement, confirming compliance with the UK Combined Code on Corporate Governance or explaining any aspect of non-compliance (rather than stating whether they comply with the corporate governance regime in their home state and describing how their actual practices differ from the Combined Code); and
- Offer pre-emption rights to their existing shareholders when they make an offer of new shares for cash (with a 13 month period to implement).

In light of the new requirement to offer pre-emption rights to shareholders, your Board is taking the opportunity to amend the Company's articles of association ("Articles") at the Annual General Meeting to incorporate the necessary changes. The new provision will require the Company, unless previously disapplied by special resolution, to first offer any new shares or securities (or rights to subscribe for, or to convert or exchange into, shares) proposed to be issued for cash to shareholders in proportion to their holdings in the Company.

The proposed amendment to the Articles to incorporate these changes is set out in full in resolution 9, a Special Resolution, to be proposed at the Annual General Meeting. No other changes are proposed to be made to the Articles of Association. The Company is currently authorised by the Articles to issue an unlimited number of new shares. In order to continue with such share issues, your Board is therefore also proposing that an annual disapplication of the new pre-emption rights is given to the Directors so that they may continue to issue shares as and when appropriate. Accordingly, resolution 10, a Special Resolution, proposes a disapplication of the new pre-emption rights in respect of 10% of the shares in issue, set to expire on the earlier of eighteen months from the date of the resolution or at the conclusion of the Annual General Meeting to be held in 2011. It is proposed that this disapplication will be proposed for renewal annually together with the power to issue new shares.

Purchase of the Company's Securities

The Directors operate an active discount management policy through the use of share buy backs, the objective being to maintain the price at which the Ordinary shares trade relative to their underlying net asset value at a discount of no more than 5 per cent. Purchases of Ordinary shares will only be made through the market for cash at prices below the prevailing net asset value per Ordinary share (as last calculated) where the Directors believe such purchases will enhance shareholder value and are likely to assist in narrowing any discount to net asset value at which the Ordinary shares may trade. Purchases of Warrants will only be made through the market for cash if the net asset value per Ordinary share is greater than 120p (being the price payable on the exercise of a Warrant) and at prices below the prevailing net asset value attributable to a Warrant (as last calculated) where the Directors believe such purchases will enhance shareholder value.

Resolution 6, a Special Resolution, will be proposed to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions of the Listing Rules of the Financial Services Authority. Accordingly, the Company will seek authority to purchase up to a maximum of 16,637,401 Ordinary shares (representing 14.99 per cent. of the current issued share capital). The authority being sought shall expire at the conclusion of the Annual General Meeting in 2011 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 shares will be held in treasury, in accordance with Resolution 7. During the year and subsequent to the period end no Ordinary shares have purchased in the market for cancellation or treasury.

Following changes made to Jersey company law in 2008, Jersey companies can now either cancel shares or hold them in treasury following a buy-back of shares. These powers will give Directors additional flexibility going forward and the Board considers that it will be in the interest of the Company that such powers be available, including the new powers to hold treasury shares. Such powers will only be implemented when, in the view the Directors, to do so will be for the benefit of all shareholders. The Directors recommend that shareholders vote in favour of Resolutions 6 and 7. Any future sales of shares from treasury will only be undertaken at a premium to the prevailing net asset value per Ordinary shares.

The Directors are also seeking to renew the Company's authority to purchase for cancellation up to 14.99% of the Company's Warrants. Purchases of Warrants will only be made through the market for cash if the net asset value per Ordinary share is greater than 120p (being the price payable on the exercise of a Warrant) and at prices below the prevailing net asset value attributable to a Warrant (as last calculated) where the Directors believe such purchases will enhance shareholder value. Accordingly, Resolution 8, a Special Resolution, will be proposed to renew the Directors' authority to make market purchases of the Company's Warrants in accordance with the provisions the Listing Rules of the Financial Services Authority. The Directors recommend that shareholders vote in favour of Resolution 8.

The Company is also authorised, on any termination of the Management Agreement, to purchase for cancellation Warrants acquired by Aberdeen Asset Management on the terms set out in the original Warrant Agreement

Recommendation

Your Board considers Resolutions 6, 7, 8, 9 and 10 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 6, 7, 8, 9 and 10 to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial shareholdings amounting to 136,233 Ordinary shares.

Substantial interests

The Board has been advised that the following shareholders owned 3% or more of the issued share capital of the Company at 31 March 2010, being the nearest practicable date prior to the signing of this Report:

Shareholder	Number of shares held	% held
Brewin Dolphin Stockbrokers	12,276,631	11.1
Speirs & Jeffrey	11,502,950	10.4
Quilter Investment Management	6,701,754	6.0
Adam & Co. Investment Management	5,948,211	5.4
Charles Stanley	4,878,479	4.4
Legal & General Investment Management	4,422,270	4.0
Midas Capital	4,240,000	3.8
Jupiter Asset Management	3,789,983	3.5
Rensberg Sheppards	3,655,192	3.2
Scottish Widows	3,521,804	3.2

Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Directors do not consider any creditors to represent trade creditors.

Corporate Governance

The Statement of Corporate Governance forms part of this Directors' Report and covers the Company's compliance with Combined Code and is shown on pages 24 to 26.

Going Concern

The Directors of the Company are aware of the current turbulence in financial markets and the potential impact this may have on the operations of the company. However, the Directors consider that there are no immediate threats identified at the date of approving these financial statements that may suggest that the Company may not continue as a going concern for the foreseeable future.

Notes 16 and 17 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk.

On 31 March 2010 the Barclays credit facility was repaid in full and HK$81,841,607 and US$6,557,751 were drawn down under the terms of a new 12 month senior secured multi currency revolving facility agreement with Scotiabank Europe PLC (the "New Facility"). Accordingly, the Company has considerable financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have undertaken a rigorous review of the Company's ability to continue as a going concern including reviewing forecasts detailing revenue and liabilities. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the financial statements are set out on pages 27 and 29.

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information. Additionally there are no important events since the year end.

Independent Auditors

Our auditors, Ernst & Young LLP, have indicated their willingness to remain in office. The Directors will place a Resolution before the Annual General Meeting to re-appoint them as independent auditors for the ensuing year, and to authorise the Directors to determine their remuneration.

By order of the Board
Aberdeen Private Wealth Management Limited
Secretary
Registered Office:
No.1 Seaton Place,
St Helier, Jersey JE4 8YL
31 March 2010

Statement of 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 applies the principles identified in the Combined Code on Corporate Governance (the Combined Code") as appended to the UK Listing Authority Listing Rules. The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to:
- the role of the chief executive;
- executive directors' remuneration; and,
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The company has therefore not reported further in respect of these provisions.

The Board

The Board currently consists of a non-executive Chairman and five other non-executive Directors. All Directors, with the exception of Mr H Young are considered by the Board to be independent of the Investment Manager and free of any material relationship with the Investment Manager. Mr H Young is a Director of the Investment Manager and as such is not considered to be independent and therefore Mr H Young submits himself for annual re-election as a Director. Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager, under the terms of the Management Agreement. Mr Baxter has been appointed Senior Independent Director.

The Board takes the view that independence is not compromised by length of tenure on the Board and that experience can add significantly to the Board's strength. The Chairman was, until October 2007, a director of Fletcher Jones Ltd a recruitment consultant that had undertaken very occasional work for the Manager, and, on the basis of advice, the other Directors are unanimously of the opinion that Mr Arthur remains an Independent Director. At the time of the original launch and as indicated in the prospectus, Dr Cukic Armstrong was head of portfolio strategy and construction in the multi-manager offering of Insight Investment Management Limited, which is a major shareholder in the Company. Dr Cukic Armstrong, in her role as a Director of the Company, was acting in a personal capacity and not as a representative of Insight Investment Management Limited. During 2008 Dr Cukic Armstrong ceased to be an employee of Insight Investment Management Limited. Accordingly, the Board is entirely satisfied that Dr Cukic Armstrong remains an independent Director of the Company.

During the year ended 31 December 2009 the Board met seven times. In addition, the Audit Committee met twice and there were five other Board Committee meetings. Between meetings the Board maintains regular contact with the Manager.

Directors have attended Board and Audit Committee meetings during the year ended 31 December 2009 as follows (with their eligibility to attend the relevant meeting in brackets – in order to be eligible for a meeting a Director must be situated offshore):

Director	Board Meetings	Audit Committee Meetings	Other
P Arthur*	4 (5)	0 (0)	2 (5)
D Baxter	7 (7)	2 (2)	5 (5)
A Berzins	5 (7)	2 (2)	2 (3)
M Chambers	7 (7)	2 (2)	3 (5)
A Cukic Armstrong	4 (5)	2 (2)	2 (5)
H Young**	6 (7)	0 (0)	2 (4)

*During the year Mr Arthur resigned from the Audit Committee

**Mr H Young is not a member of the Audit or Management Engagement Committees.

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.

The Board has put in place necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the

Board, Directors' self evaluation and a performance evaluation of the Board as a whole using detailed questionnaires followed by one-on-one discussions. The Board has 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.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, Aberdeen Private Wealth Management Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Committees

Audit Committee

The Audit Committee operates within clearly defined terms of reference and comprises four independent Directors, Mr A Berzins (Chairman), Mr D Baxter, Mr M Chambers and Dr A Cukic Armstrong. The Combined Code and the AIC Code acknowledge that some of the standard Combined Code provisions may not be specifically appropriate to investment companies and in this regard the Board believes that it is appropriate for all the independent Directors to constitute the Audit Committee. In summary the Audit Committee's main functions are:

- 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 Administrator;
- to meet with the external Auditor to review their proposed audit programme of work and the findings of the Auditors. 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 £5,000 were paid to the Auditors in respect of non audit services – the Board will review any future fees 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 AAM whereby AAM 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.

Management Engagement Committee

The Board has appointed a Management Engagement Committee which comprises five independent Directors, Mr P Arthur (Chairman), Mr A Berzins, Mr D Baxter, Mr M Chambers and Dr A Cukic Armstrong. The Committee reviews the performance of the Investment Manager and the investment management and secretarial agreement and compliance with its terms. The terms and conditions of the Investment Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee at least once a year. The Board remains satisfied that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole. The key factors taken into account in reaching this decision are the investment skills, experience and commitment of the Investment Manager. The Investment Management Agreement is terminable on not less than six months' notice.

Nomination Committee

Appointments to the Board of Directors are considered by the Nominations Committee which comprises the entire Board and whose Chairman is Mr M Chambers. 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.

Remuneration Committee

Under the UK Listing Authority's Listing Rules, where an investment trust has only non-executive directors, the Code principles relating to directors' remuneration do not apply. The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on page 28.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication of the Financial reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code" (the FRC Guidance) in October 2005, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the period under review and up to the date of approval of this

Annual Report and Accounts, and is regularly reviewed by the Board and accords with the guidance. The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows: financial;

- operational; and
- compliance.

The key components designed to provide effective internal control are outlined below:

- the Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits; reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Investment Manager as appropriate;
- as a matter of course the Investment Manager's compliance department continually reviews the Investment Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Investment Manager and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Investment Manager, has decided to place reliance on the Investment Manager's systems and internal audit procedures; and
- at its March 2010 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 December 2009 by considering documentation from the Investment Manager, including the internal audit and compliance functions and taking account of events since 31 December 2009. The results of the assessment were then reported to the Board at the next Board meeting.

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 objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Accounts 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 (www.asian-income.co.uk).

The Notice of the Annual General Meeting included within the Annual Report and Accounts 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 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 a separate shareholder presentation is held annually in London, close to the time of the Annual General Meeting. This year the London presentation will be held at 12.30 p.m. on 14 May 2010 at the offices of Aberdeen Asset Managers, Bow Bells House, 1 Bread Street, London EC4M 9HH

Proxy voting as an Institutional Investor

Responsibility for actively monitoring the activities of investee companies has been delegated by the Board to the Manager. The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights. The Manager's policy is to vote all shares held by the Company.

Socially Responsible Investment Policy

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 dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective is to deliver superior investment return for their clients and 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.

By order of the Board
Aberdeen Private Wealth Management Limited
Secretary
No.1 Seaton Place, St Helier,
Jersey, JE4 8YJ
31 March 2010

Statement of Directors' Responsibilities

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

Jersey Company law requires the Directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;

- specify which generally accepted accounting principles have been adopted in their preparation; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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 Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For Aberdeen Asian Income Fund Limited

P A K Arthur
Chairman
31 March 2010

Directors' Remuneration Report

As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company.

Remuneration Policy

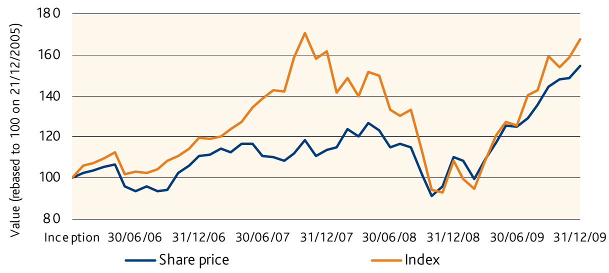
The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Board carried out a review of the level of Directors' fees during the year and concluded that the level of annual fees payable to Directors should remain unchanged at £25,000, £20,000 and £17,500 for the Chairman, Audit Committee Chairman and remaining Directors. No element of the Directors' remuneration is performance related. A resolution to receive and adopt the Directors' Remuneration Report will be proposed at the Annual General Meeting.

None of the Directors has a service contract with the Company. Each of the Directors has entered into a letter of appointment with the Company (subject to election at the first Annual General Meeting and re-election at subsequent Annual General Meetings in accordance with the Articles of Association) terminable on three months' notice. The Directors' interests in contractual arrangements with the Company are shown in note 18 to the financial statements. No other Directors were interested in contracts with the Company during the period, or subsequently. Directors' & Officers' liability insurance cover is maintained by the Company and is neither a benefit in kind nor does it form part of the Directors' remuneration. The Company's Articles indemnify each Secretary, agent and servant of the Company out of the assets of the Company in relation to charges, losses, liabilities, damages and expenses incurred in the course of the discharge of their duties provided that such indemnity is not available in circumstances where there is fraud, wilful misconduct or negligence. Directors (and every present or former officer of the Company) shall be indemnified out of the assets of the Company in so far as the law allows.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Company Performance

The following graph illustrates the total shareholder return for a holding in the Company's shares as compared to the MSCI AC Asia Pacific ex Japan currency adjusted Index for the period from launch to 31 December 2009. Given the Company's investment objective this is the most appropriate index 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 or benchmark and there can be no assurance that such divergence will be to the Company's advantage.



Directors' Emoluments

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

Director	2009 £	2008 £
P Arthur (Chairman and highest paid Director)	25,000	25,000
A Berzins	20,000	20,000
D Baxter	17,500	17,500
M Chambers	17,500	17,500
A Cukic Armstrong	17,500	17,500
H Young	17,500	17,500
Total	**115,000**	**115,000**

The amounts paid by the Company to the Directors were for services as non-executive Directors.

Sums Paid to Third Parties

Of the fees disclosed above £17,500 (2008 - £17,500) was payable to third parties in respect of making available the services of Directors. These fees were in respect of Mr H Young and were assigned to Aberdeen Asset Management Asia Limited.

By order of the Board

Aberdeen Private Wealth Management Limited
Secretary
31 March 2010

Independent Auditors' Report to the Members of Aberdeen Asian Income Fund Limited

We have audited the Company's financial statements for the year ended 31 December 2009 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 110 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 auditors' 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.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Financial Highlights, Financial Calendar, Annual Report, Directors' Reports and General Information as detailed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Company's financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 31 December 2009 and of its results for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Ernst & Young LLP
Jersey
Channel Islands
31 March 2010

Statement of Comprehensive Income

	Notes	Year ended 31 December 2009 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2008 Revenue £'000	Capital £'000	Total £'000
Investment income	4						
Dividend income		6,793	–	6,793	7,017	5	7,022
Interest income		887	–	887	948	–	948
Total revenue		7,680	–	7,680	7,965	5	7,970
Gains/(losses) on financial assets at fair value through profit or loss	10	–	34,151	34,151	–	(11,003)	(11,003)
Currency gains/(losses)	14	–	1,654	1,654	–	(5,908)	(5,908)
		7,680	35,805	43,485	7,965	(16,906)	(8,941)
Expenses							
Investment management fee	5	(487)	(730)	(1,217)	(475)	(712)	(1,187)
Other operating expenses	6	(614)	–	(614)	(726)	–	(726)
Profit/(loss) before finance costs and tax		6,579	35,075	41,654	6,764	(17,618)	(10,854)
Finance costs	7	(172)	(259)	(431)	(208)	(312)	(520)
Profit/(loss) before tax		6,407	34,816	41,223	6,556	(17,930)	(11,374)
Tax expense		(363)	–	(363)	(369)	–	(369)
Profit/(loss) for the year attributable to equity shareholders		**6,044**	**34,816**	**40,860**	**6,187**	**(17,930)**	**(11,743)**
Earnings per Ordinary share (pence):	9						
Basic and diluted		**5.54**	**31.93**	**37.47**	**5.69**	**(16.49)**	**(10.80)**

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", as defined in IAS 1 (revised).

All of the profit/(loss) and total comprehensive income is attributable to the equity holders of Aberdeen Asian Income Fund Limited. There are no minority 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. No operations were acquired or discontinued in the year.

In accordance with the undertaking provided by the Board in the launch Prospectus, dividends may only be paid out of the Company's distributable reserves.

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

Balance Sheet

	Notes	As at 31 December 2009 £'000	As at 31 December 2008 £'000
Non-current assets			
Investments held at fair value through profit or loss	10	160,413	127,490
Current assets			
Cash and cash equivalents		4,165	4,968
Other receivables	11	662	673
		4,827	5,641
Current liabilities	12		
Bank loans		(10,558)	(15,686)
Other payables		(284)	(316)
		(10,842)	(16,002)
Net current liabilities		(6,015)	(10,361)
Net assets		**154,398**	**117,129**
Share capital and reserves			
Ordinary share capital	13	109,790	108,440
Warrant reserve		2,200	2,200
Capital redemption reserve		1,560	1,560
Capital reserve	14	34,528	(513)
Revenue reserve	14	6,320	5,442
Equity shareholders' funds		**154,398**	**117,129**
Net asset value per Ordinary share (pence):	15		
Basic		**140.63**	**108.01**
Diluted		**137.19**	**108.01**

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2010 and were signed on its behalf by :

Peter Arthur

Chairman

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

Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital £'000	Warrant reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Retained earnings £'000	Total £'000
Opening balance	108,440	2,200	1,560	(513)	5,442	–	117,129
Issue of own shares	1,350	–	–	225	–	–	1,575
Profit for the year	–	–	–	–	–	40,860	40,860
Transferred from retained earnings to capital reserve[A]	–	–	–	34,816	–	(34,816)	–
Transferred from retained earnings to revenue reserve	–	–	–	–	6,044	(6,044)	–
Dividends paid	–	–	–	–	(5,166)	–	(5,166)
Balance at 31 December 2009	**109,790**	**2,200**	**1,560**	**34,528**	**6,320**	**–**	**154,398**

For the year ended 31 December 2008

	Share capital £'000	Warrant reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Retained earnings £'000	Total £'000
Opening balance	109,200	2,200	800	18,215	4,426	–	134,841
Purchase of own shares	(760)	–	760	(798)	–	–	(798)
Loss for the year	–	–	–	–	–	(11,743)	(11,743)
Transferred from retained earnings to capital reserve[A]	–	–	–	(17,930)	–	17,930	–
Transferred from retained earnings to revenue reserve	–	–	–	–	6,187	(6,187)	–
Dividends paid	–	–	–	–	(5,171)	–	(5,171)
Balance at 31 December 2008	**108,440**	**2,200**	**1,560**	**(513)**	**5,442**	**–**	**117,129**

[A] Represents the capital profit/(loss) 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 accompanying notes are an integral part of the financial statements.

Cash Flow Statement

	Notes	Year ended 31 December 2009 £'000	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000	Year ended 31 December 2008 £'000
Profit/(loss) for the year[A]			40,860		(11,743)
Non cash stock dividend			–		(5)
Add back finance costs	7		431		520
Add back taxation paid			363		369
(Gains)/losses on investments held at fair value through profit or loss	10		(34,151)		11,003
Net currency (gains)/losses	14		(1,654)		5,908
Decrease in amounts due from brokers	11		–		67
Increase in interest receivable			(9)		(61)
Decrease/(increase) in other receivables			20		12
Decrease in other payables			(47)		(87)
Net cash inflow from operating activities before finance costs and tax			5,813		5,983
Finance costs paid			(416)		(886)
Overseas taxation paid			(363)		(369)
Net cash inflow from operating activities			5,034		4,728
Investing activities					
Purchases of investments		(3,334)		(20,475)	
Sales of investments		4,562		28,673	
Net cash inflow from investing activities			1,228		8,198
Financing activities					
Issue/(purchase) of own shares	13,14	1,575		(798)	
Dividends paid	8	(5,166)		(5,171)	
Loans drawn down		–		14,949	
Loans repaid		(3,487)		(19,877)	
Net cash outflow from financing activities			(7,078)		(10,897)
Net (decrease)/increase in cash and cash equivalent			(816)		2,029
Cash and cash equivalents of the start of the year			4,968		3,243
Effect of foreign exchange rate changes			13		(304)
Cash and cash equivalents at the end of the year	2,16		**4,165**		**4,968**

[A] Includes income from dividends of £6,812,000 gross (2008 – £7,031,000 gross) and interest income of £874,000 (2008 – £837,000).

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

Notes to the Financial Statements For the year ended 31 December 2009

1. Principal activity

The Company is a closed-end investment company incorporated in Jersey, with its shares being listed on the London Stock Exchange.

2. Accounting policies

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).

(a) Basis of preparation

The financial statements are prepared on a historical cost basis, except for derivative financial instruments and financial assets that have been measured at fair value through profit or loss.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2009.

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

Where guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") is consistent with the requirement of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Changes in accounting policy and disclosures

The Company adopted the extended disclosure requirements within IFRS 7 for accounting periods beginning on or after 1 January 2009. The extended disclosure requirements introduced a fair value hierarchy and this is disclosed in note 19.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 9 – Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013). This standard has not yet been adopted by the EU.
- Amendments to IFRS 1 – First-time Adoption of IFRSs and Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 respectively).
- Amendments to IFRS 2 – Group Cash-settled Share-based Payments (effective for annual periods beginning on or after 1 January 2010).
- Amendments to IFRS 3 & IAS 27 – Business Combinations (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IAS 24 – Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011).
- Amendments to IAS 32 – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010).
- Amendments to IAS 39 – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2010.
- IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company. The Company concludes however that certain additional disclosures may be necessary and will be considered on their application.

(b) Income

Dividends receivable on equity shares (other than special dividends) are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are 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 revenue 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 are recognised using the effective interest rate method.

Interest receivable from cash and short-term deposits is accrued to the end of the financial period.

(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

With effect from the 2009 year of assessment Jersey abolished the exempt company regime for existing companies. Profits arising in the Company for the 2009 year of assessment will be subject to tax at the rate of 0%. In the prior year the Company was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

However, 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. For the purpose of the Cash Flow Statement, cash inflows from investments are presented net of withholding taxes, when applicable.

(e) Investments

All investments have been designated upon initial recognition as fair value through profit or loss. This is done because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis.

Purchases of investments are recognised on a trade date basis and designated upon initial recognition at fair value through the profit or loss. Sales of assets are also recognised on a trade date basis. Proceeds are measured at fair value, which are 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. Unquoted investments would be valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets.

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 on financial assets 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.

(f) Cash and cash equivalents

Cash comprises cash in hand and 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 outstanding bank overdrafts.

(g) Other receivables and payables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their recoverable amount. Other payables are non interest bearing and are stated at their payable amount.

(h) Dividends payable

Dividends are recognised in the financial statements in the period in which they are paid.

(i) Nature and purpose of reserves

Warrant reserve

The Warrant reserve was created on the issue of 22,000,000 Warrants at the launch of the Company. Each Warrant issued entitles the holder to subscribe in cash for one Ordinary share on the terms contained in note 13. The reserve reflects the issue price of unexercised Warrants.

Capital redemption reserve

The capital redemption reserve arose when ordinary shares were redeemed, at which point an amount equal to the par value 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 transfer the par value of the ordinary share capital. Although the transfer from the Statement of Comprehensive Income is no longer required, the amount remaining in the capital redemption reserve is not distributable.

Capital reserve (see note 14 to the financial statements)

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.

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

(j) 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 presentational 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 is included as an exchange 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.

(k) Borrowings

Monies borrowed to finance the investment objectives of the Company are stated at the amount of the net proceeds immediately after the issue plus cumulative finance costs less cumulative payments made in respect of the debt. The finance cost of such borrowings are allocated to years over the term of the debt at a constant rate on the carrying amount and, as per the Prospectus, are charged 40% to revenue and 60% to capital reserves to reflect the Company's investment policy and prospective income and capital growth.

Borrowings are held at amortised cost using the effective interest rate method.

3. Segment information

For management purposes, 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 per geographical location. The basis for attributing the operating income is the place of incorporation of the instrument's counterparty.

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Asia Pacific region	7,657	7,849
United Kingdom	23	116
	7,680	**7,965**

An analysis of the Company's operating income per investment type is shown in note 4.

4. Income	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Income from investments		
Dividends from overseas equities	6,793	7,017
Interest income		
Bond interest	864	832
Deposit interest	23	116
	887	948
Total income	**7,680**	**7,965**

5. Investment management fee	Year ended 31 December 2009 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2008 Revenue £'000	Capital £'000	Total £'000
Investment management fee	**487**	**730**	**1,217**	**475**	**712**	**1,187**

The Company has an agreement with Aberdeen Private Wealth Management (APWM) for the provision of management services. This agreement has been sub-delegated to Aberdeen Asset Management Asia Limited (AAM Asia).

During the year the management fee was payable monthly in arrears and was based on an annual amount of 1% of the net asset value of the Company valued monthly. The balance due to APWM at the year end was £124,000 (2008 – £167,000). The investment management fees are charged 40% to revenue and 60% to capital.

	Year ended 31 December 2009			Year ended 31 December 2008		
6. Other operating expenses	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Directors' fees	115	–	115	115	–	115
Marketing contribution	93	–	93	111	–	111
Auditors' remuneration:						
– statutory audit	23	–	23	29	–	29
– interim accounts review	5	–	5	5	–	5
Custodian charges	119	–	119	143	–	143
Secretarial and administration fee	110	–	110	109	–	109
Other	149	–	149	214	–	214
	614	**–**	**614**	**726**	**–**	**726**

The Company has an agreement with Aberdeen Asset Managers Limited (AAM) for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust share plan and ISA. The total fees paid are based on an annual rate of £90,000 (2008 – £109,000). There was no sum due to AAM at the year end (2008 – £nil).

In addition, Aberdeen Private Wealth Management Limited (APWM) is entitled to an annual company secretarial and administration fee of £110,000, which increases annually in line with any increases in RPI. A balance of £28,000 (2008 – £27,000) was payable to APWM at the year end.

	Year ended 31 December 2009			Year ended 31 December 2008		
7. Finance costs	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
On bank loans and overdrafts	**172**	**259**	**431**	**208**	**312**	**520**

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

8. Dividends on equity shares	**Year ended 31 December 2009 £'000**	**Year ended 31 December 2008 £'000**
Amounts recognised as distributions to equity holders in the year:		
Second interim dividend for 2008 – 2.75p per share (2007 – 2.75p)	2,982	2,995
First interim dividend for 2009 – 2.0p per share (2008 – 2.0p)	2,184	2,176
	5,166	**5,171**

The second interim dividend for 2009, amounting to £3,294,000 (2008 – £2,982,000), has not been included as a liability in these financial statements as it was announced and paid after 31 December 2009.

The table below sets out the total dividends paid in respect of the financial year. The revenue available for distribution by way of dividend for the year is £6,044,000 (2008 – £6,187,000).

	2009 £'000	2008 £'000
First interim dividend for 2009 – 2.0p per share (2008 – 2.0p)	2,184	2,176
Second interim dividend for 2009 – 3.00p per share (2008 – 2.75p)	3,294	2,982
	5,478	**5,158**

9. Earnings per share

Basic

The earnings per Ordinary share is based on the net profit after taxation of £40,860,000 (2008 – loss of £11,743,000) and on 109,030,411 (2008 – 108,724,754) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

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

	Year ended 31 December 2009			Year ended 31 December 2008		
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Net profit (£'000)	6,044	34,816	40,860	6,187	(17,930)	(11,743)
Weighted average number of Ordinary shares in issue			109,030,411			108,724,754
Return per Ordinary share (pence)	5.54	31.93	37.47	5.69	(16.49)	(10.80)

Diluted

The calculation of the diluted earnings per Ordinary shares is based on the average traded share price over the year. As a result warrants that could potentially dilute the earnings per share in the future are not included in calculation of the diluted earnings per share because they are anti-dilutive for the period presented.

10. Investments held at fair value through profit or loss

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Opening valuation	127,490	146,686
Movements in the year:		
Purchases at cost	3,334	20,480
Sales – proceeds	(4,562)	(28,673)
– realised (losses)/gains on sales	(1,891)	2,143
Increase/(decrease) in investment holdings fair value gains	36,042	(13,146)
Closing valuation at 31 December 2009	**160,413**	**127,490**
Closing book cost	121,071	124,190
Closing investment holdings fair value gains	39,342	3,300
	160,413	**127,490**

The portfolio valuation	**£'000**	**£'000**
Listed on stock exchanges at market valuation:		
Overseas:		
– equities	150,671	119,167
– bonds	9,742	8,323
Total	**160,413**	**127,490**

Gains/(losses) on held-at-fair-value investments	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Realised (losses)/gains on sales of investments	(1,891)	2,143
Increase/(decrease) in investment holdings fair value gains	36,042	(13,146)
	34,151	**(11,003)**

All investments are categorised as held at fair value through profit or loss.

Transaction costs

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

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Purchases	8	54
Sales	13	93
	21	**147**

11. Debtors: amounts falling due within one year	2009 £'000	2008 £'000
Prepayments and accrued income	658	664
Other receivables	4	9
	662	**673**

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

12. Creditors: amounts falling due within one year	2009 £'000	2008 £'000
(a) Bank loans	**10,558**	**15,686**

The Credit Facility Agreement with Barclays Bank dated 25 November 2005 (as subsequently amended and extended) contains the following financial covenants: (i) the Company must ensure that consolidated total borrowings do not at any time exceed 30 per cent. of the adjusted asset value at any time; (ii) the Company must ensure that the aggregate amount of investments in any one country does not exceed 25 per cent.; (iii) the aggregate gross market value of investments in the financial services industry category does not exceed 40 per cent. (and 25 per cent. for other industry categories); (iv) the minimum number of investment is 20; (v) investments must be made in at least 5 countries in the investment region; (vi) no single investment to exceed 10 per cent. of the portfolio value; (vii) no unquoted investments are permitted.

At the year end, the Company's unsecured bank loans of HK$81,525,000 (2008 – HK$102,825,000) and US$6,535,000 (2008 – US$9,285,000) equivalent to £6,511,000 (2008 – £9,228,000) and £4,047,000 (2008 – £6,458,000) respectively were drawn down from the £30,000,000 facility with Barclays Bank at fixed interest rates of 2.30% (2008 – 1.19%) and 1.98% (2008 – 0.95%), respectively.

On 27 January 2010 both unsecured bank loans were rolled over. At the signing of this report HK$81,525,000 and US$6,458,000 remained drawn down from the £30,000,000 facility with Barclays Bank at fixed interest rates of 2.25% and 1.98938% respectively. Both are repayable on 31 March 2010.

The bank loans outstanding at 31 December 2009 are valued at the middle rates of exchange at the year end, resulting in cumulative foreign exchange loss of £224,000 (2008 – loss of £907,000) against the original book cost of these loans.

	2009	2008
(b) Other payables	**£'000**	**£'000**
Other payables	**284**	**316**

13. Called-up share capital	**2009 Number**	**£'000**	**2008 Number**	**£'000**
Authorised				
Ordinary shares of no par value	Unlimited	110,000	Unlimited	110,000
Issued and fully paid				
At 1 January 2009	108,440,000	108,440	109,200,000	109,200
Purchased for cancellation in the year	–	–	(760,000)	(760)
Shares issued in the year	1,350,000	1,350	–	–
At 31 December 2009	**109,790,000**	**109,790**	**108,440,000**	**108,440**

During the year 1,350,000 (2008 – 760,000 shares purchased for cancellation) Ordinary shares were issued by the Company at a total consideration received, including transaction costs, of £1,575,000 (2008 – cost of £798,000). Following the share issues' 109,790,000 (2008 – 108,440,000) Ordinary shares remain in issue. Further details of the share issues are contained in the Directors' Report on page 20.

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.

At 31 December 2009 there were 22,000,000 (2008 – 22,000,000) Warrants in issue. The warrantholders are entitled to subscribe in cash for one Ordinary share at 120p on the subscription date, which is the twentieth business day after the dispatch to Ordinary shareholders of the Company's Annual Report and Accounts or Half-Yearly report for each year, commencing with the twentieth business day after the dispatch to Ordinary shareholders of the Company's Annual Report and Accounts for the year ending 31 December 2009 and ending on the twentieth business day after the dispatch to Ordinary shareholders of the Company's Annual Report and Accounts for the year ending 31 December 2012.

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 share held.

14. Retained earnings	**2009 £'000**	**2008 £'000**
Capital reserve		
At 1 January 2009	(513)	18,215
Loans – movement in currency gain/(loss)	684	(887)
Currency gain/(loss)	970	(5,021)
Movement in investment holdings fair value gains	36,042	(13,146)
(Loss)/gain on sales of investments	(1,891)	2,143
Stock dividend	–	5
Costs charged to capital	(989)	(1,024)
Issue/(purchase) of own shares	225	(798)
At 31 December 2009	**34,528**	**(513)**

	2009 £'000	2008 £'000
Revenue reserve		
At 1 January 2009	5,442	4,426
Profit for the year	6,044	6,187
Dividends paid	(5,166)	(5,171)
At 31 December 2009	**6,320**	**5,442**

15. Net asset value per share

The basic 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:

Basic	Net asset value per share 2009 p	Net asset values attributable 2009 £'000	Net asset value per share 2008 p	Net asset values attributable 2008 £'000
Ordinary shares	**140.63**	**154,398**	**108.01**	**117,129**

The basic net asset value per Ordinary share is based on 109,790,000 (2008 – 108,440,000) Ordinary shares, being the number of Ordinary shares in issue at the year end.

Diluted	Net asset value per share 2009 p	Net asset values attributable 2009 £'000	Net asset value per share 2008 p	Net asset values attributable 2008 £'000
Ordinary shares	**137.19**	**180,798**	**108.01**	**117,129**

The calculation of the diluted net asset value per Ordinary share is based on the total number of Ordinary shares in issue at the year end and on the assumption that those Warrants which are not exercised at the year end, amounting to 22,000,000 Warrants as at 31 December 2009 (31 December 2008 – 22,000,000) were exercised on the first day of the financial year at 120p per share, giving a total of 131,790,000 Ordinary shares (2008 – 130,440,000).

The diluted net asset value as at 31 December 2008 has not been shown as the calculation would result in an anti-dilutive effect.

16. Financial instruments

The Company's financial instruments comprise securities, other investments, cash balances and bank overdrafts.

The main risks arising from the Company's financial instruments are (i) market price risk (comprising interest rate risk, currency risk and other 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 price 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 other price risk.

Interest rate risk

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.

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 a holding in a fixed rate Indonesian Government Bond, in the form of a Currency Loan Note issued by Deutsche Bank, valued at £9,742,000 (2008 – £8,323,000). 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.

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. The credit facility for £30 million due to expire on the 27 January 2010 has been extended until 31 March 2010 and details of the terms and conditions of the loan are disclosed in note 12. Current loans drawn down of HK$81,525,000 (2008 – HK$102,825,000), (equivalent to £6,511,000 at 31 December 2009; 2008 – £9,228,000) were drawn down at an all–in rate of 2.30% (2008 – 1.19%) per annum and US$6,535,000 (2008 – US$9,285,000), (equivalent to £4,047,000 at 31 December 2009; 2008 – £6,458,000) at an all–in rate of 1.98% (2008 – 0.95%) per annum. Both tranches are unsecured. Interest was due on both tranches at the maturity date, being 27 January 2010 respectively. The 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 policy of not having any fixed, long-term borrowings.

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

At 31 December 2009	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000
Assets					
Indonesian Government Bond	7.56	10.00	–	9,742	–
Equities	–	–	–	–	150,671
Cash at bank – Sterling	–	–	4,165	–	–
	–	**–**	**4,165**	**9,742**	**150,671**
Liabilities					
Bank loan – Hong Kong Dollars	0.07	2.30	–	(6,511)	–
Bank loan – US Dollars	0.07	1.98	–	(4,047)	–
	–	**–**	**–**	**(10,558)**	**–**

At 31 December 2008	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000
Assets					
Indonesian Government Bond	8.56	10.00	–	8,323	–
Equities	–	–	–	–	119,167
Cash at bank – Sterling	–	–	4,536	–	–
Cash at bank – Taiwan Dollar	–	–	1	–	–
Cash at bank – Thailand Baht	–	–	431	–	–
	–	**–**	**4,968**	**8,323**	**119,167**
Liabilities					
Bank loan – Hong Kong Dollars	0.06	1.19	–	(9,228)	–
Bank loan – US Dollars	0.06	0.95	–	(6,458)	–
	–	**–**	**–**	**(15,686)**	**–**

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.

The non-interest bearing assets represent the equity element of the portfolio.

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

Maturity profile

The following table sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk at the reporting date:

At 31 December 2009	Within 1 year £'000	Within 2-3 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
Fixed rate					
Bonds	–	–	–	9,742	9,742
Bank loans	(10,558)	–	–	–	(10,558)
	(10,558)	**–**	**–**	**9,742**	**(816)**
Floating rate					
Cash	**4,165**	**–**	**–**	**–**	**4,165**

At 31 December 2008	Within 1 year £'000	Within 2-3 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
Fixed rate					
Bonds	–	–	–	8,323	8,323
Bank loans	(15,686)	–	–	–	(15,686)
	(15,686)	**–**	**–**	**8,323**	**(7,363)**
Floating rate					
Cash	**4,968**	**–**	**–**	**–**	**4,968**

Interest rate sensitivity

The sensitivity analyses 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 reporting date; and

– changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the reporting date.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's:

– profit for the year ended 31 December 2009 would decrease / increase by £33,000 (2008 – decrease / increase by £24,000). This is attributable to the Company's exposure to interest rates on its floating rate cash balances, fixed interest securities and bank loans.

– the Company holds no financial instruments that will have an equity reserve impact.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives.

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. All of the Company's borrowings, as detailed in note 12, are in foreign currency as at 31 December 2009.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

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 other price risk sensitivity analysis so as to show the overall level of exposure.

	31 December 2009			31 December 2008		
	US$ £'000	HK$ £'000	Other £'000	US$ £'000	HK$ £'000	Other £'000
Investments at fair value through profit or loss that are monetary items	9,742	–	–	8,323	–	–
Cash at bank	–	–	–	–	–	432
Borrowings under the multi-currency loan facility	(4,047)	(6,511)	–	(6,458)	(9,228)	–
Foreign currency exposure on net monetary items	5,695	(6,511)	–	1,865	(9,228)	432
Investments at fair value through profit or loss that are equities	–	10,178	140,493	–	7,238	111,929
Total net foreign currency exposure	**5,695**	**3,667**	**140,493**	**1,865**	**(1,990)**	**112,361**

The above year end amounts are not representative of the exposure to risk during the year, because the levels of monetary foreign currency exposure change significantly throughout the year.

Foreign currency sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in sterling against the major foreign currencies in which the Company has exposure on its monetary items. Monetary items include the bond holding which is measured at fair value through profit and loss. 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.

If sterling had weakened against the currencies shown, this would have had the following effect:

	31 December 2009			31 December 2008		
	US$ £'000	HK$ £'000	Other £'000	US$ £'000	HK$ £'000	Other £'000
Statement of Comprehensive Income – profit after taxation						
– Revenue return	92	41	708	45	–	35
– Capital return	633	(723)	–	207	(1,025)	48
Total profit after taxation for the year	**725**	**(682)**	**708**	**252**	**(1,025)**	**83**
Equity	**725**	**(682)**	**708**	**252**	**(1,025)**	**83**

If sterling had strengthened against the currencies shown, this would have had the following effect:

	31 December 2009			31 December 2008		
	US$ £'000	HK$ £'000	Other £'000	US$ £'000	HK$ £'000	Other £'000
Statement of Comprehensive Income – profit after taxation						
– Revenue return	(75)	(33)	(584)	(31)	–	(29)
– Capital return	(518)	592	–	(170)	839	(39)
Total profit after taxation for the year	**(593)**	**559**	**(584)**	**(201)**	**839**	**(68)**
Equity	**(593)**	**559**	**(584)**	**(201)**	**839**	**(68)**

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

Other price risk

Other price risks (ie 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 equity 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 17, 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 various stock exchanges worldwide.

Concentration of exposure to other price risks

A geographic analysis of the Company's investment portfolio is shown on page 14, which shows that all 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.

Other 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% 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 reporting date, with all other variables held constant.

The equity price risk sensitivity incorporates the equity foreign exchange sensitivity analysis.

	2009		2008	
	Increase in fair value £'000	**Decrease in fair value £'000**	**Increase in fair value £'000**	**Decrease in fair value £'000**
Income statement – profit after taxation				
Revenue return – increase / (decrease)	–	–	–	–
Capital return – increase / (decrease)	15,067	(15,067)	11,917	(11,917)
Total profit after taxation – increase / (decrease)	**15,067**	**(15,067)**	**11,917**	**(11,917)**
Equity	**15,067**	**(15,067)**	**11,917**	**(11,917)**

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, which stood at £10,842,000 at the year end.

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 £4,165,000 and £160,413,000 respectively at the year end. Short-term flexibility is achieved through the use of loan and overdraft facilities.

(iii) Credit risk

This is failure of the counter party to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

The risk is not significant, and is managed as follows:

– where the investment manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default. The Company has a holding in a CLN issued by Deutsche Bank AG. The issuer currently has a credit rating at Moody's of Aa1;

– investment transactions are carried out with a large number of brokers, whose credit rating of which 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 monthly basis. In addition, the custodian carries out a stock reconciliation to third party administrators' records on a monthly basis to ensure discrepancies are picked up 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 enhancements;

– 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:

	2009		2008	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Investments at fair value through profit or loss	160,413	9,742	127,490	8,323
Current assets				
Cash at bank	4,165	4,165	4,968	4,968
	164,578	**13,907**	**132,458**	**13,291**

None of the Company's financial assets are past due or impaired.

(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.

During the year the Company's borrowings were short-term loans, details of which can be found in note 12.

The loans are valued at amortised cost, using the effective interest rate method in the financial statements. The Board regulates the overall level of gearing by raising or lowering cash balances.

Fair value of financial assets

Investments held at fair value through profit or loss are valued at their quoted bid prices which equate to their fair values. The Directors are of the opinion that the financial assets are stated at fair value in the Balance Sheet and considers that this is equal to the carrying amount.

Fair values of financial liabilities

The fair value of borrowings as at the 31 December 2009 has been estimated at £10,558,000 which is the same as the carrying value due to their short term nature. At 31 December 2008 the fair value was £15,686,000 which is the same as the carrying value.

17. 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:

	2009 £'000	2008 £'000
Debt		
Borrowings under the multi-currency loan facility	**10,558**	**15,686**
Equity		
Equity share capital	109,790	108,440
Retained earnings and other reserves	44,608	8,689
	154,398	**117,129**

	2009	2008
Debt as a % of net assets	**6.84**	**13.39**

The Board, with the assistance of the 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 Manager's views on the market;

– the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium);

– 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.

The Company is subject to the following externally imposed capital requirements:

– the bank borrowings under the Company's credit facility with Barclays Bank are not to exceed 25% of net assets as measured in accordance with the policies used in the annual financial statements;

– under the Company's Articles of Association borrowings must not exceed an amount equal to the adjusted total of capital and reserves.

These requirements are unchanged since last year, and the Company has complied with them during both the current and prior year.

18. Related party transaction

Mr H Young is a director of Aberdeen Asset Management Asia Limited (AAM Asia), which is a subsidiary of Aberdeen Asset Management PLC (AAM). Aberdeen Private Wealth Management Limited has an agreement to provide management services to the Company, which it has sub-delegated to AAM Asia. AAM has an agreement to provide administration services to the Company.

The terms of these agreements are outlined in notes 5 and 6.

19. Fair value hierarchy

The Company adopted the amendments to IFRS 7 'Financial Instruments: Disclosures' effective from 1 January 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance.

– 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 (ie as prices) or indirectly (ie 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 statement of financial position are grouped into the fair value hierarchy at 31 December 2009 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	150,671	–	–	150,671
Quoted bonds	b)	9,742	–	–	9,742
Net fair value		**160,413**	**–**	**–**	**160,413**

a) Quoted equities

The fair value of the Company's investments in quoted equities have 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 Corporate quoted bonds have been determined by reference to their quoted bid prices at the reporting date.

20. Events after the reporting period

A further 1,200,000 Ordinary shares have been issued by the Company subsequent to the reporting period end at a total consideration received, including transaction costs, of £1,631,000. Following the share issues' 110,990,000 Ordinary shares remain in issue.

On 31 March 2010 the Barclays credit facility was repaid in full and HK$81,841,607 and US$6,557,751 were drawn under the terms of a new 12 month senior secured multi currency revolving facility agreement with Scotiabank Europe PLC (the "New Facility"). The New Facility contains the following covenants; (i) the borrower shall not permit adjusted net asset coverage to be less than 4.00 to 1.00; (ii) the borrower shall not permit at any time its net asset value to be less than £80 million; (iii) the aggregate value of investments of the borrower issued by any single issuer not to exceed 10% of total net assets; (iv) the aggregate value of investments in any industry as defined by the MSCI Industries Standard not to exceed 25% and 40% in respect of the commercial banking industry; (v) no investment in asset backed securities; (vi) restrictions on certain derivative transactions; and (vii) borrower to maintain investments in at least seven countries.

Marketing Strategy

Aberdeen Asian Income Fund Limited contributes to the marketing programme run by the Aberdeen Group ("AAM") on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by AAM. This contribution, which is reviewed annually, amounted to £93,000 for the year ended 31 December 2009.

The purpose of the programme is to communicate effectively with existing shareholders and gain more new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares.

These aims can be met in several ways:

Investor Relations Programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by AAM is distributed free of charge.

Public Relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The Marketing Programme is under the direction of AAM's Group Head of Marketing, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

Aberdeen Asian Income Fund Limited has its own dedicated website: www.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. The site is continuously being evaluated for improvement.

It is intended that ongoing programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the Marketing Programme. Aberdeen's Group Head of Marketing reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0500 00 00 40 or our Broker Desk on 0800 592 487 (Institutions and IFAs).

Alternatively, internet users may email AAM at inv.trusts@aberdeen-asset.com or write to 10 Queen's Terrace, Aberdeen AB10 1YG.

How to Invest in Aberdeen Asian Income Fund Limited

Direct

Investors can buy and sell shares in Aberdeen Asian Income Fund Limited directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children, Investment Trust Share Plan and Investment Trust ISA.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Aberdeen Asian Income Fund Limited. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. 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 trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. 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 AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Aberdeen Asian Income Fund Limited 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. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. 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 AAM 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 £10,200 can be made in the Company in the tax year 2010/2011.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT.

The annual ISA administration charge is £24 + VAT, calculated six monthly and deducted from income. 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 us which can be invested in Aberdeen Asian Income Fund Limited while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

Trust Information

If investors would like details of Aberdeen Asian Income Fund Limited or information on the Children's Plan, Share Plan, ISA or ISA Transfers please telephone 0500 00 00 40, e-mail to inv.trusts@aberdeen-asset.com or write to:

Aberdeen Investment Trust Administration
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP

Details are also available on www.invtrusts.co.uk

Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times.

For internet users, detailed data on Aberdeen Asian Income Fund Limited including price, performance information and a monthly fact sheet is available from the Trust's website (www.asian-income.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively you can call 0500 00 00 40 for trust information.

For further information concerning any direct certificated shareholding, please contact the Company's registrars:

Capita IRG (Offshore) Limited
PO Box 532
St Helier
Jersey JE4 5UW

Tel: 01534 847 000
e-mail ssd@capitaregistrars.com

Tel: 0871 664 0300
(calls cost 10p a minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri)
Tel International: (+44 208 639 3399)

Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:

Telephone: 0500 00 40 00
Email: aam@lit-request.com

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP

The information on pages 51, 52 and 53 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority.

Glossary of Terms and Definitions

Actual Gearing
Total Assets (as below) less all cash and fixed interest assets (excluding the DB Indo CLN 10% bond and any convertibles) divided by shareholders' funds.

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.

Discount
The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value 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.

Net Asset Value
The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

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 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 share held by him. 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 in respect of the shares.

Potential Gearing
Total Assets including all debt being used for investment purposes divided by shareholders' funds.

Premium
The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value 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.

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

Total Expense Ratio
Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method.

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 trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

Warrants
Each of the Company's Warrants confers the right to subscribe in cash for one Ordinary share at a price of 120p on the twentieth business day after despatch of the Company's Annual or Half-Yearly Reports each year, commencing on the twentieth business day after despatch of the Annual Report for the year ending 31 December 2009 and ending on the twentieth business day after despatch of the Annual Report for the year ending 31 December 2012. The Warrants are in registered form and traded on the London Stock Exchange's Main Market.

Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of Aberdeen Asian Income Fund Limited (the "Company") will be held at No.1 Seaton Place, St Helier, Jersey JE4 8YJ, at 9.30 a.m. on 13 May 2010 for the following purposes:

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive the Directors' report and financial statements for the year ended 31 December 2009, together with the auditors' report thereon.
2. To receive and adopt the Directors' Remuneration Report.
3. To re-elect Dr Cukic Armstrong as a Director.
4. To re-elect Mr H Young as a Director.
5. To re-appoint Ernst & Young LLP as independent auditors and to authorise the Directors to agree their remuneration.

Special Business

As special business, to consider the following resolutions, of which resolutions 6, 8, 9 and 10 will be proposed as special resolutions and resolution 7 as an ordinary resolution:

6. 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 per cent. 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 per cent. of the average of the middle market quotations for an Ordinary share taken from the Official List for the 5 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 2011 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time.

7. THAT, the Company be and is hereby generally and unconditionally authorised to hold Ordinary shares, redeemed or purchased, as treasury shares as permitted pursuant to and in accordance with Art 58A of the Companies (Jersey) Law 1991, as amended, or to be cancelled.
8. THAT, the Company be and is hereby generally and unconditionally authorised in accordance with the Articles of Association to make market purchases of and to cancel Warrants to subscribe for Ordinary shares of no par value in the capital of the Company ("Warrants"), provided that:
   f) the maximum number of Warrants hereby authorised to be purchased is 14.99 per cent. of the Warrants in issue as at the date of the passing of this resolution;
   g) the maximum price which may be paid for a Warrant shall not be more than the higher of (i) an amount equal to 105 per cent. of the average of the middle market quotations for a Warrant taken from the Official List for the 5 business days immediately preceding the day on which the Warrant 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;
   h) the minimum price which may be paid for a Warrant is 1 pence;
   i) the Company be authorised to purchase Warrants out of its unrealised capital or revenue profits less its capital or revenue losses, whether realised or unrealised; and,
   j) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2011 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time.

9 THAT the Company's articles of association be amended by the deletion of Article 7 in its entirety and the insertion of the following in substitution therefor:

"7.1
(a) The Company shall not without the previous sanction of an Extraordinary Resolution of the holders of the Ordinary Shares passed at a general meeting of such holders convened and held in accordance with the provisions of these Articles issue, and shall procure that no other member of the Group shall issue (other than to the Company), further shares or securities, or rights to subscribe for or to convert or exchange any securities into shares or securities or reclassify any shares (otherwise, in each case, than in connection with an allotment of Ordinary Shares pursuant to Article 125 (such connection to be determined conclusively by the Board) or pursuant to the exercise of the Warrants or any of them) save that there may be issued at any time shares or rights to subscribe for or to convert or exchange into shares, and shares may be reclassified as such other shares, provided that in any event the Relevant Share Test is satisfied;

(b) For the purposes of this Article 7.1, the "**Relevant Share Test**" is that the Board shall be satisfied on the basis of the most recently available information that, in their opinion, such shares or rights are to be issued, reclassified or purchased at prices such that the net asset value attributable to an Ordinary Share ("**the Relevant Share**") immediately after such issue, exercise, reclassification or purchase is greater than the net asset value attributable to such a share immediately prior to such issue, exercise, reclassification or purchase, in each case assuming such shares or rights to be issued or exercised, reclassified or purchased as at the date prior to that on which such issue, exercise, reclassification or purchase is finally approved by the Directors.

7.2 The Company shall not without the previous sanction of a Special Resolution of the Company passed at a general meeting convened and held in accordance with the provisions of these Articles, issue any further shares (other than shares which neither as respects dividends nor as respects capital carry any right to participate beyond a specified amount in a distribution), or rights to subscribe for, or to convert or exchange into, such shares ("**equity securities**") for cash without first offering the same in proportion to their existing holding to:

(a) existing holders of that class of equity securities; and
(b) holders of other equity securities who are entitled to be offered them

PROVIDED THAT this shall not apply where the Company is undertaking a rights issue or open offer, with respect to equity securities representing fractional entitlements or to equity securities which the Company considers necessary or expedient to exclude from the offer on account of the laws or regulatory requirements of a territory other than the island of Jersey.

7.3 Any offer made pursuant to Article 7.2 shall be made by notice specifying the number of equity securities offered, and limiting a period (not being less than fourteen days) within which the offer, if not accepted, will be deemed to be declined.

7.4 Any equity securities not accepted pursuant to such offer or not capable of being offered as aforesaid except by way of fractions shall be allotted by the Directors generally on such terms as they think fit, provided that, in the case of shares not accepted as aforesaid, such shares shall not be disposed of on terms which are more favourable to the subscribers thereof than the terms on which they were offered to the Members.

7.5 A Special Resolution passed for the purposes of Article 7.2:

(a) must state the maximum amount of shares to which it relates (being, in the case of an issue of equity securities comprising rights to subscribe for, or to convert or exchange into, shares, the number of shares that may be issued pursuant to those rights);
(b) must specify the date on which it will expire, which must not be more than five years from the date on which the Special Resolution is passed; and
(c) may, by Special Resolution of the Company, be renewed for a further period not exceeding five years or be varied or revoked at any time. The Special Resolution renewing the authority granted under Article 7.2 must state (or

restate) the maximum amount of shares to which it relates (or, as the case may be the remaining amount to which it relates) and specify the date on which the renewed resolution will expire.

Notwithstanding that any such Special Resolution has expired, the Company may issue equity securities in pursuance of an offer or agreement previously made by the Company if the Special Resolution enabled the Company to make an offer or agreement that would or might require equity securities to be issued after it expired"

10 THAT, subject to and conditional upon the passing of resolution 9 above, for the purposes of Article 7.2 of the Company's articles of association as amended pursuant to resolution 9, the Company may issue equity securities (as defined in that Article) up to a maximum amount of 11,099,000 shares representing 10% of the total number of shares in issue as at the date of this resolution, 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 2011 or eighteen months from the date 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 equity securities to be issued after such expiry and the directors of the Company may issue equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

No. 1 Seaton Place
St Helier, Jersey
JE4 8YJ
12 April 2010

By order of the Board
Aberdeen Private Wealth Management Limited
Secretaries

Notes:

(ii) 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.

(iii) 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, Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent BR3 4BR so as to arrive not less than forty eight hours before the time fixed for the meeting.

(iv) 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.

(v) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders entered on the register of members of the Company as at 6.00pm on 11 May 2010 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the register of members after 6.00pm on 11 May 2010 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

(vi) No Director has a service contract with the Company.

(vii) The Register of Directors' interests is kept by the Company and available for inspection.

(viii) As at 31 March 2010 (being the last business day prior to the publication of this notice) the Company's issued share capital comprised 110,990,000 Ordinary shares of no par value. 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 31 March 2010 was 110,990,000.

(ix) There are special arrangements for holders of shares through the Aberdeen Share Plan and Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

Corporate Information

Directors
Peter Arthur, Chairman
Andrey Berzins, Audit Committee Chairman
Duncan Baxter, Senior Independent Director
Martyn Chambers
Ana Cukic Armstrong
Hugh Young

Manager, Secretary & Registered Office
Aberdeen Private Wealth Management Limited
No.1 Seaton Place
St Helier
Jersey JE4 8YJ

Registration Number: 91671

Investment Manager
Aberdeen Asset Management Asia Limited
21 Church Street
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Singapore 049480

Registrars
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St Helier
Jersey JE4 5UW

Tel: 01534 847 000

Transfer Agents
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The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 0871 664 0300
(calls cost 10p a minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri)
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Liberation House
Castle Street
St Helier
Jersey JE1 1EY

Website
www.asian-income.co.uk

Your Company's History

Issued Share Capital at 31 December 2009

109,790,000	Ordinary shares of no par value
22,000,000	Warrants to subscribe for Ordinary shares

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. 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 net asset value
1 January 2010 to 31 March 2010	1,200,000 Ordinary shares of no par value issued for cash at a premium to the prevailing net asset value

Aberdeen