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30 July 2021

Aberdeen Emerging Markets Investment Company Limited

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Proposals for a change of investment policy to an All China investment mandate, combination with Aberdeen New Thai Investment Trust and tender offer

The Board of Aberdeen Emerging Markets Investment Company Limited (the "**Company**" or **"AEMC"**) is pleased to announce a comprehensive set of proposals as set out below (the **"Proposals"**) which it believes will benefit the Company's Shareholders going forward. The proposals include a change of investment policy from investing in emerging markets on a fund of funds basis to investing directly in the equities of Chinese companies, a merger with Aberdeen New Thai Investment Trust ("**New Thai**"), and a tender offer for up to 15% of the Company's shares.

Key benefits of the Proposals

- Move to investing directly in Chinese equities, which the Board sees as underserved despite China being the world's second largest economy;
- Access to the highly successful Aberdeen Standard Investments' equities team specialising in China, locally based in Shanghai and Hong Kong;
- Move away from a fund of funds structure to direct investment in equities, which the board expects to improve the attractiveness of the Company's shares to its core investor base;
- Merger with New Thai to help improve liquidity and free float and, reduce fixed costs per share;
- Tender offer to provide an opportunity for shareholders seeking to realise all or part of their investment.

Background to the Proposals

As was discussed in the recent interim results, the Board has been actively considering changes to the Company. Whilst the Company's investment performance has been very commendable over a long period of time, in the well-populated emerging markets investment funds sector, the attractiveness of the Company's shares has been adversely affected by the current aversion to fund of fund structures and consequent look-through costs, particularly amongst wealth managers. This has resulted in an overly concentrated share register with limited free float, presently calculated at approximately 16%. One consequence of this has been the Board's inability to undertake a determined buy back campaign to address the discount to net asset value at which the shares have traded in the stock market. In preparing these Proposals the Board has sought to address these issues comprehensively and so secure a sound long-term future for the Company.

Proposals

Change of investment policy to an All China mandate

The Board has noted that, although China now ranks as the second largest economy in the world, there are relatively few listed closed end fund offerings in the UK specialising in investment into companies based, or with substantial operations, in China.

The Board conducted a thorough selection process before deciding to appoint Aberdeen Standard Investments ("ASI") to manage the Company under this proposed investment mandate.

With over £4 billion invested in Chinese equities as at 31 March 2021, ASI has a strong record of performance (both absolute and relative) witnessed in its Aberdeen Standard Luxembourg registered SICAV I China A and All China equity funds. ASI has been investing in China for almost 30 years, and has a large team based in Shanghai and Hong Kong, supported by team members in Singapore. ASI also brings a strong record of ESG integration into its investment processes and engagement with investment managers supported by on-desk ESG specialists, together with a very strong track record of investment in China. ASI's Chinese equities team of thirteen is complemented by three on-desk ESG specialists and underpinned by ASI's global footprint with its central ESG team of 20+ based in Edinburgh. ASI is acknowledged as industry leading with an A+ ESG rating from UN PRI.

ASI believes that several key themes are providing interesting opportunities in China:

- rising affluence is leading to fast growth in premium consumption in areas including education, travel, and food and beverage;
- growing integration amid the widespread adoption of technology means a bright future for plays on e-commerce, gaming, cybersecurity and data centres supporting cloud services;
- growing prosperity means structural growth for consumer finance, increasing investor participation on stock exchanges, and a need for financial protection - especially given the under-penetration of life insurance;
- rising disposable incomes are driving demand for healthcare products and services;
- policy makers globally are committing to a greener and lower carbon world and China, presently the world's largest emitter of greenhouse gases, is expected to have a transformational role to play. Plays on renewable energy, batteries, electric vehicles, related infrastructure, and environmental management all have a bright future. 'Grid parity' will be game-changing.

The Company's portfolio will be high conviction with an estimated 30 to 60 holdings, with exposure to small companies. The model portfolio has approx. 60% invested in the China A Shares market and will evolve over time. The same portfolio reflects ASI's ESG strengths, with a higher rating and lower carbon profile than the MSCI China All Shares Index (in Sterling terms), with this being the Company's proposed benchmark (both as measured by MSCI).

The Managers will manage the Company's portfolio so that it does not include any company currently sanctioned under the Chinese Military-Industrial Complex Companies, or CMIC, list as per Executive Order 14032. ASI will monitor the position for any future developments associated with this list of companies, any change to compliance with this approach would be communicated to the market.

Combination with New Thai

The Board is also delighted to announce that terms have been agreed for a combination of the Company with New Thai. New Thai's Board, like that of the Company, has been considering a move to an All China investment mandate and consequently the boards, following discussions with major shareholders, consider that it would be beneficial for both companies to combine. The combination, if approved by each company's shareholders, will be implemented through a scheme of reconstruction pursuant to section 110 of the Insolvency Act 1986 (**"section 110 scheme"**), resulting in the voluntary liquidation of New Thai and the rollover of its assets into the Company in exchange for the issue of new shares in the Company to New Thai shareholders.

New shares in the Company that are issued to New Thai shareholders will be issued on a formula asset value ("**FAV**")-to-FAV basis. FAVs will be calculated using the respective net asset values of each company, adjusted for the costs of implementing the Proposals, any dividends and distributions declared by each party which have a record date prior to the effective date of the combination, an allowance for the costs of liquidation (for New Thai), the cash exit option (for New Thai) and the tender price pursuant to the tender offer referred to below (for the Company).

The combination with New Thai is expected to help improve the Company's liquidity for all shareholders as well as spreading the fixed costs of the Company over a larger pool of assets. In addition, it should increase the level of the Company's free float. The Company's Board has noted the current consultation process launched by the FCA to review elements of the listing rules for companies, including potentially reducing the free float requirement from 25% to 10%. There can be no certainty that this reduction will be codified and, in any event, should the Company wish to undertake share buyback operations in future, the Board believes a significant headroom above the free float requirement will be desirable. Whilst expected to be clearly favourable, the initial impact of the Proposals on the Company's free float will not be known until after the conclusion of New Thai's section 110 scheme including the combination with the Company and the outcome of the Company's tender offer, as referred to below.

Tender offer

The Board expects that many shareholders will wish to continue with their investment in the Company and would encourage them to do so. Nevertheless, given the proposed change of investment policy, the Board believes it is appropriate to offer those shareholders wishing to realise part, or potentially all, of their investment in the Company a chance to do so through a tender offer for up to 15 per cent. of the shares in issue (excluding shares held in treasury) at a two per cent. discount to FAV per ordinary share.

Similarly, as part of its section 110 scheme, New Thai will offer a cash exit for up to 15% of its shares in issue at a two per cent. discount to formula net asset value ("FAV") per ordinary share. Those New Thai shareholders making no election will default to the rollover option.

Board structure

Anne Gilding and Sarah MacAulay, two current New Thai directors, have been invited to join the Board of the Company from the date of completion of the transaction. At the annual general meeting of the Company expected to be held in April 2022, William Collins, who has completed nine years of service on the board, will step down. Mark Hadsley-Chaplin, who has also completed nine years of service, has been requested by the Board to stay on as Chairman to oversee the transition and initial period of the Company following the implementation of the Proposals. Accordingly, Mark will stay until the annual general meeting in 2023, at which point he also will step down.

Continuation vote and future performance linked tender

The Company is currently required to hold a continuation vote every five years with the last vote held at the Company's AGM in April 2018. If the Proposals put to shareholders are approved, it is the intention that the requirement for this vote will be reset with the next continuation vote put to shareholders at the Company's AGM to be held in 2027.

In addition, the Board intends that, if the Company's NAV total return over five years ending December 2026 does not exceed the total return of the MSCI China All Shares Index (in Sterling terms), the Company will undertake a tender offer for up to 25 per cent. of the Company's issued share capital (excluding any shares held in treasury), any such tender offer will be at a price equal to the then prevailing FAV less two per cent.

Management arrangements

Aberdeen Standard Fund Managers Limited ("**ASFML**") has agreed to make a contribution to the costs of implementing the Proposals by means of a waiver of the management fee otherwise payable by the Company to ASFML for the first six months following the completion of the s.110 scheme, which will be for the benefit of all remaining shareholders of the enlarged Company. In addition, in future the fee for the management of the Company will be calculated with regards to the market capitalisation of the Company, rather than net assets. This aligns the manager with shareholder aims such that it is better incentivised to ensure that the share price discount to net asset value is kept close to zero. The annual management fee will be structured on a tiered basis, with the first £150 million of market capitalisation being charged at 0.80%, 0.75% on the next £150 million and 0.65% thereafter.

City Code

In accordance with customary practice for section 110 schemes, the City Code on Takeovers and Mergers is not expected to apply to the combination of the Company and New Thai.

Approvals

Implementation of the Proposals is subject to the approval, inter alia, of the shareholders of the Company as well as regulatory and tax approvals and, as regards the combination with New Thai, the shareholders of New Thai. A circular providing further details of the Proposals and convening a general meeting to seek the necessary shareholder approvals, together with a prospectus in respect of the issue and admission of new shares in connection with the Combination with New Thai, will be published by the Company as soon as practicable. It is anticipated that the Proposals will be implemented in Q4 2021.

The Company has consulted with a number of its major shareholders who have indicated support for the Proposals. These shareholders manage or control 78.7% of the Company's issued share capital.

Mark Hadsley-Chaplin, Chairman of the Company, commented:

"The headwinds referred to above, which have strengthened over recent years, have led the Board to this proposal which we recommend to shareholders. After a very thorough selection process we concluded that Aberdeen Standard Investments (ASI) is extremely well-equipped to deliver highly competitive performance with this exciting new mandate. As we have seen this week, China's equity market can be volatile, but over the medium and long term, we believe it will generate tremendous opportunities for an expert investment team with feet on the ground. I would also note that the closed-ended structure is well-placed to withstand short term market volatility and to capitalise on longer term opportunities that arise from it. We expect that the combination with Aberdeen New Thai will enhance the liquidity of the Company's shares, with fees set at competitive levels. This should help to attract retail and wealth management investors, thereby diversifying the shareholding base. I would like to pay tribute to Andy Lister and Bernard Moody who, in spite of those headwinds, have been first class managers of AEMC during their time at ASI (and before) and I wish them every success in the future "

Andrew Lister, Senior Investment Manager at Aberdeen Standard Investments, commented:

"It has been a privilege to be involved with the management of the Company for over 20 years. The only constant in emerging markets over this period has been change, and the emergence of China as a global engine of growth and an attractive investment destination has epitomised this. Bernard and I are optimistic that the change of strategy being proposed puts the company in a strong position to thrive in the future, as in the past, and to remain relevant in a constantly changing investment landscape."

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