

abrdn China Investment Company Limited

Seeking long-term capital growth by investing predominantly in Chinese equities



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abrdn Investment Trusts



@abrdnTrusts

abrdn China Investment Company Limited is a closed-end investment company with its Ordinary shares listed on the Premium Segment of the London Stock Exchange.

The Company's name, objective and investment policy were changed following approval by shareholders at an Extraordinary General Meeting on 26 October 2021, and in November 2021 the Company completed its combination with Aberdeen New Thai Investment Trust PLC.

The Company seeks to produce long-term capital growth by investing predominantly in Chinese equities.

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Financial Information

Financial Position as at 31 October 2022

NAV per Ordinary share² 512.0p 2021 813.2p	Ordinary share price – mid market 448.0p 2021 695.0p	Discount³ 12.5% 2021 14.5%
Net Assets £231.8m 2021 £373.8m	Gearing - Net (cash) / debt³ -3.6% 2021 -70.0%	Dividend yield 0.7% 2021 2.5%

Performance for the Financial Year ended 31 October 2022

Net asset value ("NAV") per Ordinary share total return^{1,3,4} -37.0% 2021 19.8%	Ordinary share price total return^{1,3,4} -35.5% 2021 18.7%	MSCI China All Shares Index Net Total Return in sterling terms -31.5% 2021 10.7%
Revenue return per Ordinary share 4.0p 2021 -0.61p	Ongoing charges ratio ("OCR")³ 0.60% 2021 0.98%	Dividend per Ordinary share declared in respect of the Financial Year 3.2p 2021 17.25p

¹ Performance figures stated above include reinvestment of dividends on the ex-date.

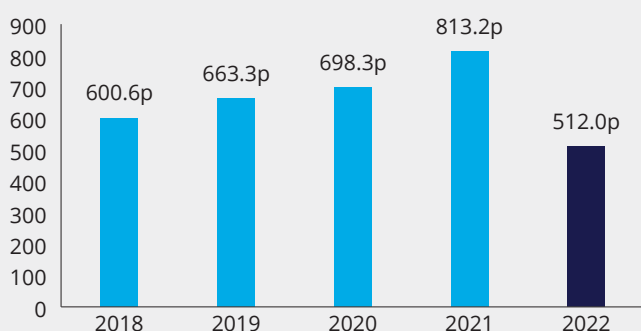
² See note 14 in the Notes to these Financial Statements for basis of calculation.

³ Definitions of these Alternative Performance Measures ('APMs') together with how these have been calculated can be found on pages 79 and 80.

⁴ The Company's 2021 performance was attributable to the fund being managed in accordance with its previous investment objective, which was to achieve consistent returns for shareholders in excess of the MSCI Emerging Markets Net Total Return Index in sterling terms and the new investment objective, following approval by shareholders at the EGM on 26 October 2021, which is to produce long-term capital growth by investing predominantly in Chinese equities.

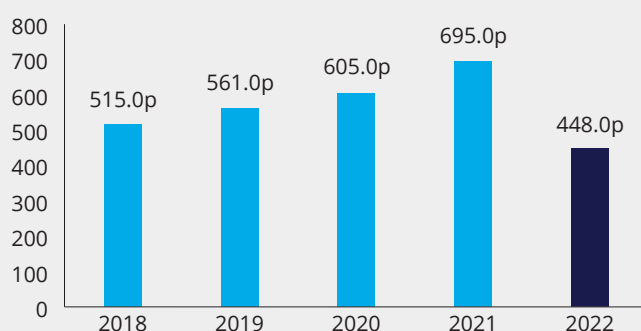
NAV per ordinary share

At 31 October – pence



Ordinary share price-mid market

At 31 October – pence



Financial Calendar

“October 2022 marked the first anniversary of our shareholders approving the Company’s change of mandate, shifting from investing in a wide range of emerging market funds to concentrating on the compelling opportunities offered by Chinese equities. While this first Financial Year has seen some extremely challenging conditions, the Board believes that the long-term growth prospects for Chinese companies, which drove our proposal to change the Company’s mandate, remain as compelling as ever. The performance of the portfolio and Chinese equity markets since the end of the Financial Year would appear to bear this out.”

Helen Green, Chairman

Financial Calendar

Online Shareholder Presentation	30 March 2023
Annual General Meeting ("AGM") (London)	13 April 2023
Half year end	30 April 2023
Announcement of Half-Yearly Financial Report for the six months ending 30 April 2023	June 2023
Financial year end	31 October 2023
Announcement of Annual Report and Accounts for the year ending 31 October 2023	January / February 2024

Chairman's Statement



Helen Green

Chairman

Overview

It is my pleasure to report to you for the first time as Chairman of the Board in what has been a hugely significant financial year to 31 October 2022 (the "Financial Year") for abrdn China Investment Company Limited ("the Company" or "ACIC").

October 2022 marked the first anniversary of our shareholders approving the Company's change of mandate, shifting from investing in a wide range of emerging market funds to concentrating on the compelling opportunities offered by Chinese equities. While this first Financial Year has seen some extremely challenging conditions, the Board believes that the long-term growth prospects for Chinese companies, which drove our proposal to change the Company's mandate, remain as compelling as ever. The performance of the portfolio and Chinese equity markets since the end of the Financial Year would appear to bear this out.

In his last report to shareholders, my predecessor, Mark Hadsley-Chaplin who retired on 1 August 2022, commented that investors in Chinese equities were largely ignoring company fundamentals, with share prices being heavily influenced by macroeconomic and geopolitical risks. This trend continued during the Financial Year and led to a general rotation from growth to value stocks, forcing share prices downwards. The Company's net asset value (NAV) total return for the Financial Year was -37.0%, while the share price total return was -35.5%. This compares with the total return of the MSCI China All Shares Index of -31.5% in Sterling terms. However, since the end of the Financial Year, the China re-opening trade has been positive and markets have rallied significantly.

There were a number of macro geopolitical and economic factors which had a significant negative influence on the performance of Chinese equities during the Financial Year— war in Ukraine, an energy crisis, soaring commodity prices and global inflation, which led to rising interest rates and fears of a worldwide recession. The ongoing tensions with the US, and the performance of the US dollar, compounded the challenges for Chinese equities. Markets continue to be extremely sensitive to any flare-ups between the two economic superpowers. Consequently, verbal sparring over Taiwan, the delisting of Chinese American Depositary Receipts (ADRs) and potential sanctions (such as the Biden administration's block on sales of American semiconductors to China announced in October) all added to volatility in Chinese stock markets.

Locally, three major domestic factors negatively affected share prices during the Financial Year: firstly, China's continued

commitment to its zero-Covid policy, which limited the reopening of the local economy; secondly, the travails of the country's heavily indebted real estate sector; and, thirdly, reaction to General Secretary Xi Jinping securing an unprecedented third term as China's leader at the 20th Communist Party Congress.

The Company's underperformance during the Financial Year should be considered against the challenging market backdrop.

ACIC's lack of exposure to energy companies hindered performance. Energy was the only sector at a market level to rise during the Financial Year, led by the surge in oil and gas prices. However, with the Chinese energy sector dominated by state-owned oil and gas companies, ACIC's Investment Manager believes it is difficult to find quality companies in this sector that will perform well over the long-term.

Stock selection in the financial sector also weighed on returns, as a number of the Company's bank holdings underperformed.

On a brighter note, there was positive news from some of ACIC's consumer holdings, which benefited from increased consumption of domestic brands over imported goods.

ACIC's Investment Manager responded to the challenging conditions during the Financial Year to mitigate short-term volatility. One such step was to reduce the underweight gap in value stocks, as the market style rotated from growth to value, adding to our holdings in more defensive sectors, while still maintaining exposure to the portfolio's five core themes: aspiration, digitalisation, going green, health and wealth. These are set out in more detail in the Investment Manager's Report, along with additional commentary on portfolio performance and activity.

Dividends

During the Financial Year, the Board revised ACIC's dividend policy so that a sufficient proportion of income delivered by the portfolio is paid out in dividends to Shareholders, thus enabling the Company to maintain its investment trust status.

At the end of the Financial Year, the revenue and profitability of the Company was such that the Board is declaring an interim dividend in respect of the Financial Year ended 31 October 2022 of 3.2p per Ordinary share which will be payable to Shareholders on 17 March 2023 with an associated ex-dividend date of 23 February 2023.

Loan Facility and Gearing

On 13 April 2022, the Company signed an agreement with the Industrial and Commercial Bank of China (ICBC) for a

new two year revolving credit facility. The facility provides ACIC with £15 million of borrowings, along with an option to increase the level of the commitment by a further £15 million, drawable in Sterling or Chinese Yuan.

At the Financial Year end the facility was unused. However in December 2022 and late January 2023, the Investment Manager drew down CNH 106m (£12.7m) in two tranches. These funds provide the investment team with additional capacity to purchase quality, high conviction target companies and to fund investment in markets to which the Company gained access as part of its Qualified Foreign Investor licence.

Discount and buy backs

During the Financial Year, the Board closely monitored the Company's share price discount to NAV. The Board's intention is that ACIC's shares should not trade at a price which, on average, represents a discount that is out of line with its direct peer group over the long-term.

The Board seeks authority from Shareholders annually to buy back shares to assist the management of the discount.

Shares may be repurchased when, in the opinion of the Board, and taking into account factors such as market conditions and the discounts of comparable companies, the Company's discount is out of line with ACIC's direct peers and shares are available to purchase in the market. The Board believes that the principal purpose of share repurchases is to enhance the NAV for remaining shareholders, although it may also assist in addressing the imbalance between the supply of and demand ACIC's shares and thereby reduce the scale and volatility of the discount at which the shares trade in relation to the underlying NAV.

At the beginning of the Financial Year, and as part of the merger with Aberdeen New Thai Investment Trust plc (New Thai), the Company invited all shareholders to participate in a tender offer pursuant to which the Company would buy back up to 15% of the Ordinary shares in issue at a 2% discount to NAV. Shareholders tendered 6,894,773 Ordinary shares in response to the offer and the Company bought back those shares into treasury at a price of 801.92p per share. Simultaneously, the Company issued 7,554,440 new Ordinary shares to the shareholders of New Thai who had elected to roll their shareholding into ACIC. Following the completion of the Scheme of Arrangement on 9 November 2021, the number of Ordinary shares in issue was 46,624,826.

Between 9 November 2021 and 31 October 2022, ACIC bought back 1,341,251 shares or 2.9% of the share capital in issue at a cost of £7.55 million and a weighted average discount of 12.6%. This enhanced the Company's NAV by 0.35%. Since the Financial Year end, the Company has bought back a further 1,268,709 shares or 2.8% of the share capital in issue at the Financial Year end at a cost of £7.0 million and a weighted average discount of 14.4%. This enhanced the Company's NAV by 0.4%.

Investment Trust status

Following the merger with New Thai, the Board was pleased to announce that ACIC had been granted approval by HMRC to be classified as an investment trust under Chapter 4 of Part 24 CTA 2010 and Chapter 1 of Part 2 of The Investment Trust Tax Regulations. As a result, the Company became an investment trust with effect from 9 November 2021 and is registered in the United Kingdom for tax purposes. This means that, in respect of each accounting period for which ACIC is approved by HMRC as an investment trust, ACIC will be exempt from UK taxation on its chargeable gains. Income arising from overseas investments is subject to foreign withholding taxes at varying rates, however, like other investment trusts, the Company seeks to make use of double taxation relief where available. The Company is still liable to pay UK corporation tax on its net income in the normal way but should, in practice, be exempt from UK corporation tax on dividend income received, provided that such dividends (whether from UK or non-UK companies) fall within one of the "exempt classes" in Part 9A of the Corporation Tax Act 2009.

Qualified Foreign Investor approval

On 19 December 2022, ACIC announced that it had completed the process and had received regulatory approval for a Qualified Foreign Investor ("QFI") licence. The QFI scheme provides the Company with access to a broader investible universe of Chinese equities, including access to stocks listed on the Shanghai Stock Exchange STAR Market ("STAR"), and at the same time grants the Company more flexibility to trade onshore equities approaching Foreign Ownership Limits under the Stock Connect programme.

Management Team

Following the change of the Company's investment mandate, Nicholas Yeo and Elizabeth Kwik were appointed to lead ACIC's Investment Management Team on 26 October 2021. They manage ACIC's portfolio from Hong Kong and Shanghai, where the 13 strong Chinese equities team is based. The Board met members of the team, virtually, prior to appointment and was impressed by them and their track record.

Chairman's Statement Continued

On the change of the Company's investment mandate, Bernard Moody and Andrew Lister ceased to be involved in the day-to-day running of the portfolio. On behalf of the Board, I would like to thank Bernard, Andrew and the abrdn Closed End Fund Strategies team who have done an excellent job of managing the Company's portfolio.

The change of mandate and management team was not in any way a reflection of the service that they provided, and the Board and I wish them the very best.

Change of Company Secretary, Administrator, Depositary and Custodian

Following the end of the Financial Year, ACIC has signed agreements with abrdn plc and various entities within BNP Paribas S.A. ("BNPP") to take on various functions in due course. BNPP will become ACIC's administrator and provide custody and depositary services. abrdn will take on Company Secretarial responsibilities. An announcement will be made when the transfer process has been completed.

Board Composition

There have been some significant changes to the Board during the Financial Year.

Anne Gilding and Sarah MacAulay joined the Board as Directors in November 2021, both of whom had previously been directors of New Thai.

William Collins retired as a Director of the Company on 12 April 2022, having served on the Board for ten years, and Mark Hadsley-Chaplin retired as Chairman and a Director on 1 August 2022, having served for more than nine years. On behalf of the Board, I would like to record my thanks to them both, and particularly Mark for his efforts in steering the Company through its change of mandate.

I was honoured to be asked by my other Board colleagues to assume the role of Chairman on 1 August 2022 when the Board also appointed Sarah MacAulay as Senior Independent Director.

Lastly, the Board welcomed Mark Bridgeman to the Board on 1 August 2022 and as my successor as Chairman of the Audit Committee. Mark brings a wealth of experience in the investment sector. He will stand for election to the Board at the AGM in April 2023.

ACIC's Board takes its responsibilities very seriously, and regularly considers succession planning, and I am delighted to be working with the refreshed Board and look forward to building upon our successes.

The Board is developing plans to visit China, and the investment team in 2023, and I hope to be able to report on a successful trip in the next Annual Report.

Online Investor Presentation

In order to encourage as much interaction as possible with our shareholders, I will be hosting an Online Investor Presentation at 11:00am on Thursday, 30 March 2023. At this event, there will also be an update from Elizabeth Kwik, Portfolio Manager, followed by an opportunity to ask live questions of Elizabeth and me. The online presentation is being held ahead of the AGM to allow shareholder sufficient time to submit their proxy votes after the presentation but prior to the AGM should they so wish. Full details on how to register for the online event can be found on ACIC's website abrdnchina.co.uk.

Annual General Meeting ("AGM")

The Company's AGM will be held at 12 noon on 13 April 2023 at Wallacespace Spitalfields, 15-25 Artillery Lane, London, E1 7HA. The Board is delighted that Elizabeth Kwik will be travelling from Hong Kong to present an update on ACIC and meet with shareholders in person at the AGM and we encourage shareholders to attend.

In advance of the AGM, we would request that you complete and return the proxy form enclosed with the Annual Report so as to ensure that your votes are represented at the meeting. If you hold your shares in the Company via a share plan or a platform and would like to attend and/or vote at the AGM, you will need to make arrangements with the administrator of your share plan or platform. For this purpose, investors who hold their shares in the Company via the abrdn Investments Plan for Children, Share Plan or ISA will find a Letter of Direction enclosed. Shareholders are encouraged to complete and return the Letter of Direction in accordance with the instructions. The Notice of the Meeting is contained on pages 87 to 92.

Outlook

The last 12 months have been particularly challenging for investors in Chinese equities. We saw the Hang Seng Index in Hong Kong bottom out below 15,000, touching levels not seen since the aftermath of the Global Financial Crisis in 2008. Markets reacted positively to the announcements of the easing

of Covid restrictions in China to the point where the NAV Total Return of the Company in the first three months of the current financial year was almost 40%. This is, admittedly, following the heavily negative numbers, but it does highlight how much interest there is in China, interest that we believe is well-founded. The Board remains confident that any short-term headwinds that we may encounter in future will be strongly outweighed by long-term positive fundamentals and the compelling opportunities to invest in quality Chinese companies.

We consider that the actions that the Chinese government has taken in the last three months should not be seen as temporary and that, even if the uptick in domestic travel over Chinese New Year does lead to an increase in the number of people falling ill, there is little appetite for further draconian lockdowns such as we witnessed in late 2022, culminating in the tragic fire in Xinjiang. The return to the long-term trends of rising levels of urbanisation and the increase in the disposable incomes that the ever-expanding middle classes are able to deploy provides a ready market for high-quality goods and services.

The Board believes the portfolio is well positioned to capture China's long-term growth potential and is pleased to note the recent performance of the Chinese equities market since the end of the Financial Year. With a focus on these core themes, ACIC's Board believes that the portfolio comprises high-quality companies representing the finest structural growth opportunities in China, and arguably some of the most attractive areas of growth available anywhere to investors.

Helen Green

Chairman

13 February 2023

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Strategic Report

We see the brightest future for companies able to adapt to changing regulatory frameworks and align with policy objectives in areas such as digital innovation, green technology, access to affordable healthcare and improved livelihoods. We are focused on these themes that we believe will drive returns in 2023 and beyond.

Investment Manager's Report



Nicholas Yeo

Elizabeth Kwik

Market Environment

At the start of the Financial Year, optimism towards Chinese stock markets was high. Facing rising inflation, Western economies were entering a tougher policy environment likely to hamper progress in their stock markets. Meanwhile, China stood out as a potential counter-cyclical recovery play, supported by the country's modest stock market valuations, low inflation rate and expansionary monetary policy.

Unfortunately, this optimism was not matched by the subsequent reality: the Company's Reference Index, the MSCI China All Shares Index, fell 31.5% in sterling terms over the Financial Year. Chinese stock markets endured an arduous period in what also proved to be a turbulent time for global financial markets and the world economy. However, unlike the major Western economies, buffeted by inflation and rising interest rates, China experienced a mixture of specific domestic and external challenges that caused its economy to stumble and its stock markets to fall heavily. These pressures were compounded by the difficult global economic backdrop.

Central to the country's domestic challenges was the Chinese government's zero-Covid policy. This strict approach to containment of the Covid-19 virus proved economically disruptive, as major cities were locked down to stop the spread of the virus. Recent months have seen an easing of restrictions and, crucially, increased efforts to boost vaccination rates and hospital capacity that should allow the country to start to reopen. At the time of writing, they have flocked to major airports, train stations and highways during the Lunar New Year holidays. We expect a multi-stage recovery in China where domestic consumption normalisation has a long runway ahead, supported by excess savings among households and depressed valuations.

Another domestic headwind came in the form of a slowdown in China's large and highly indebted property sector. The Chinese government's plans to reduce debt in the real estate sector should be positive in the long-term, resulting in a sector that is better regulated and less burdened by borrowing. The government is aware of the contagion risk from the real estate sector and has been providing liquidity to the property sector through targeted measures, while still having the overarching objective of reducing the sector's excessive leverage. Nevertheless, the short-term reaction – including the refusal of some citizens to pay their mortgages on properties they feared may never be built – was, at times, dramatic. The real estate crisis had a knock-on effect across sectors during the Financial Year, particularly affecting banks, which have a large proportion of mortgages on their books.

Some of the Company's bank holdings were among the worst detractors over the period. Furthermore, regulatory tightening in the technology and e-commerce sectors also hindered performance during the Financial Year.

Geopolitics also played a role in the country's weak stock market performance. Tensions with the US over key technologies and Taiwan, including a contentious visit by the US Speaker of the House of Representatives that saw China react with high-profile military drills, added to the list of issues facing Chinese investors.

Towards the end of the Financial Year, Chinese stock markets fell further after investors were disappointed by the outcome of October's 20th Communist Party Congress. Markets reacted warily to the strengthening of President Xi's position after his re-election, although they have since responded positively following the weakening of the previously announced continuation of the zero-Covid strategy.

Investment Themes

In constructing and managing the Company's portfolio, we employ a five-pronged thematic approach to identifying companies which we believe will deliver superior returns over the long-term. While this approach will not prevent us from buying into a position where we see fundamental value, we would expect most of the holdings to benefit from one of the themes below:

Aspiration: We expect consumer companies to fare well as China strives for a self-sufficient economic model.

Premiumisation — positioning goods and services as high-quality, in part to gain pricing power — is an ugly word but a powerful consumer trend. We believe urbanisation and rising middle-class wealth will drive demand for premium goods and services in the long-run.

Digital: This theme is aligned with the government's objectives of localisation, improving productivity, lowering costs, increasing innovation and helping to propel economic growth. Our holdings in this segment are primarily software-related names. Chinese companies have historically performed strongly given their knowledge of the domestic market and preference for localisation in areas such as cybersecurity and cloud services.

Green: This theme is set to benefit from government policy on decarbonisation and net-zero emissions by 2060. China dominates global manufacturing capacity for renewable energy and storage, accounting for 90% of solar and 75% of

Investment Manager's Report Continued

battery capacity and is well positioned to benefit from the huge global investment required in renewable energy and electricity storage. Other industries also need to decarbonise, so we expect greater investment in upgrading machinery and increasing energy efficiency. Our holdings include solar wafer-producers, component-makers, battery and related component-makers and automation-related firms.

Health: This theme aligns with government policy objectives to make healthcare cheaper and more accessible. This is particularly relevant in view of China's rapidly ageing society. We are overweight in healthcare services, including companies providing innovative research and clinical trial services that seek to bring high-quality therapies to market.

Wealth: This theme aligns with the government's objective of China becoming a moderately prosperous society by 2035. The financial services sector plays a key role in creating and protecting wealth. Our holdings contribute to the creation of strong financial and capital markets, and also include software companies that support the development of capital markets, such as trading and portfolio management. The adoption of insurance services remains low in China relative to the rest of the world. We see a large potential market in terms of life and health insurance, especially given China's ageing population.

Portfolio Performance

During the Financial Year, the Company's net asset value ("NAV") total return was -37.0%, underperforming the total return of the Reference Index. The Ordinary share price total return was -35.5%, as the discount to NAV at which the Company's shares trade narrowed to 12.5% from 14.5% at the start of the Financial Year. The Company's shares are trading at an 13.5% discount at the time of writing.

In terms of broad headwinds for the portfolio, it was a year when macroeconomic and geopolitical concerns trumped bottom-up stock fundamentals. The many positive developments at the individual company level within the portfolio were often largely ignored by investors who were more concerned about bigger economic themes or threats. A rotation in investment style factors, which saw value stocks favoured over growth stocks, also posed a challenge.

The Company's NAV underperformance during the Financial Year was largely driven by stock selection. Sector allocation effects were broadly neutral, although the portfolio's lack of exposure to the strong-performing energy sector was a detractor to performance. We find few quality stocks in a

sector dominated by state-owned enterprises that we do not view as long-term structural winners. We own many renewable energy-related companies in the portfolio, but these are classified within the industrials sector.

Stock picking within financials accounted for almost half of overall underperformance, with banks being a particular area of weakness. Stock selection was also negative in the healthcare, and materials sectors, although our stock choices in information technology and consumer staples contributed positively to overall returns.

China Merchants Bank (CMB) was the portfolio's worst performing stock which suffered due to its property exposure, soft consumer confidence and an unexpected change in senior management.

In the consumer discretionary sector, China MeiDong Auto, a vehicle dealer, struggled against a backdrop of subdued global demand for high-end cars. Elsewhere, CIFI Ever Sunshine, a property management company, was affected by the broader weakness in the property sector. We exited the stock during the Financial Year.

On a brighter note, Proya Cosmetics (see case study on page 14) was a strong contributor to performance. It grew its business over the Financial Year, navigating lockdown effects and expanding in cities considered to be "lower-tier" in the unofficial hierarchical classification of Chinese cities. Owning medical equipment-maker Shenzhen Mindray was also helpful. China's difficulties in dealing with the Covid-19 pandemic have highlighted the need to invest in domestic healthcare. Shenzhen Mindray also benefited from expectations of easing Covid-19 restrictions. Lastly, China Tourism Group Duty Free, the travel retailer, recovered in line with the easing of the burdensome international travel requirements in China.

Portfolio Activity

Our commitment to rigour in our investment process assumed even greater importance given the volatile market conditions and an uncertain economic environment. We mitigated short-term volatility at the portfolio level by adding to defensive sectors such as consumer staples and lowering active exposure to the healthcare, technology and renewable energy sectors.

We initiated a position in Inner Mongolia Yili, the dairy products producer, for its defensive fundamental characteristics. We also established a holding in Anhui Conch Cement, the largest cement manufacturer in China, to increase the portfolio's

exposure to infrastructure. In August, we participated in the Hong Kong IPO of China Tourism Group Duty Free. Its shares were listed at an attractive discount and we believe the company's long-term outlook is positive. Elsewhere, we continued to increase our position in Aier Eye Hospital Group, the provider of ophthalmology medical services, to reflect our preference for medical services companies within the healthcare sector.

We exited China Conch Venture, the construction engineering company, and its spin-off entity, China Conch Environment Protection, companies principally engaged in the provision of environmental protection services due to worsening competition dynamics and concern over the companies' funding capability. In September, we sold out of our position in surgical robot company Shanghai Microport Medbot due to increased regulatory risks that did not align with our original expectations.

We calculate that the average top line revenue growth of the companies in the portfolio during the Financial Year was 18% year-on-year ("yoy"). This growth was mainly driven by our holdings in the "Green" theme, which are expected to register an average of 61% yoy growth due to favourable government policies and accelerated developments throughout the industry. The "Health & Wellness" theme also performed well, with revenue growth of 22% yoy.

Our "Aspiration", "Digital" and "Wealth" themes performed less well, being negatively affected by Covid, delivering 12%, 12% and 2% yoy revenue growth respectively.

Earnings growth for the portfolio is largely in-line with revenue growth.

Looking ahead, we expect top line revenue to recover. Growth of Green investments is predicted to normalise from a high base this year, while growth from companies representing Aspiration, Wealth and Digital themes should gradually pick up as Covid subsides and the Chinese economy recovers post reopening. Earnings growth for the portfolio is expected to rebound to 65% yoy next year. Three Year Earnings Compound Annual Growth Rate ("CAGR") for holdings in the portfolio remains solid at 35% on average.

Outlook

While it is still early for the Chinese economy to show strong signs of recovery, we are positive on the outlook in 2023 for several reasons. Firstly, stimulus measures have been working their way through the system since the start of the second half

of 2022. Furthermore, we believe macro policy is likely to remain largely accommodative, with more leeway to support growth due to relatively low levels of inflation pressures that remain well contained. Secondly, recent measures to ease Covid restrictions have come at an accelerated pace that has taken everyone by surprise and this is a positive development for markets. It reflects the Government's concerns over the state of the economy as a result of its zero-Covid strategy. While the pivot may not seem gradual by international standards at the time of writing, there are still restrictions such as the need for a PCR test before entering China and, more importantly, the mandate requiring everyone to continue to wear masks. Like other Asian countries, we think the reopening will be bumpy with infections peaking in different phases, starting with cities before moving to rural areas.

Additionally the troubled property sector now appears to be well-supported, including a raft of liquidity support measures announced in recent months. This indicates that the central Government is well aware of the economic headwinds facing China and is prepared to intervene and protect the growth trajectory. Chinese companies have thus far demonstrated strong fundamentals, with earnings growth of around 20%, despite an extremely challenging environment in the Chinese equities markets for most of the Financial Year. Valuations also remain undemanding due to investor sentiment. We believe a combination of favourable earnings and supportive policies in 2023 will help improve international investor sentiment towards China.

Given the rapid pace of reopening, inevitably, the number of deaths from Covid will rise, but it is a price the Government judges as not being high enough to offset the benefits of abandoning its zero-Covid strategy. However, the direction of travel for China is still one of reopening and economic recovery. To that end, we believe there is strong long-term potential in our five portfolio themes: aspiration, digital, green, health and wealth. That said, the long-term growth trajectory also faces some headwinds, including supply chain diversification away from China and restricted access to advanced US technologies. This is where we believe our bottom-up stock-picking approach, grounded in fundamental research and local expertise, provides an advantage in finding the best quality companies in which to invest.

Nicholas Yeo and Elizabeth Kwik
abrdn Hong Kong Limited
 13 February 2023

ESG Highlights for the Company

The Investment Manager has been actively integrating Environmental Social and Governance (“ESG”) into its investment decision-making process for 30 years and believes that ESG factors are financially material, and can materially affect a company’s performance

- Our Investment Manager has ESG resources and expertise in China, Hong Kong and Singapore. This enables our Investment Manager to glean insights from company visits, have a deep understanding of the relevant government policy developments and obtain an ESG information advantage
- The Company’s portfolio is ESG BBB rated by MSCI. This is higher than the benchmark rating of BB.
- The Company’s carbon footprint is 52.8% lower than its benchmark.

Our Approach to ESG

Although ESG factors are not the over-riding criteria in relation to the investment decisions taken by our Investment Manager, significant emphasis is placed on ESG and climate-related factors throughout the Company’s investment process.

The Board believes that a full and thorough assessment of ESG factors will result in better investment decisions to be made. ESG factors are considered by our investment manager, alongside financial and other fundamental factors, in order to make the best possible investment decisions at a stock picking and at a portfolio construction level.

Our approach to due diligence and research, coupled with third party provided research (including MSCI and abrdn’s in-house ESG rating tools), enables us to identify ESG leaders and laggards. Our Investment Manager has a close relationship with the ESG specialists within abrdn. The type of ESG research and analysis required in China is deeper and more nuanced than for many other markets. There are two components to this:

1. At the **macroeconomic** level, our Investment Manager works closely with the abrdn Research Institute to understand and contextualise economic, political and regulatory developments. Government policy objectives in China focus on areas such as social, economic and financial stability, climate change and national security. However, within these broader policy objectives, more granular objectives have emerged. These include protecting

personal data, tackling monopolistic practices and ensuring basic labour rights. These policy initiatives translate into investment insights. Companies that do not adapt to the developing policy focus may face a challenged outlook. As investors, understanding policy direction is key to assessing investment opportunities.

2. At the **stock** level, our Investment Manager works closely with abrdn’s Central ESG Investment Function – a team of more than 20 ESG experts – to identify and understand material ESG risks and opportunities. This process focuses on rigorous due diligence and ESG analysis, coupled with ongoing engagement and dialogue, which helps our Investment Manager to identify and invest in companies with strong ESG standards. This process is research-intensive and requires a strong on-the-ground presence. However, our Investment Manager also believes that this attention is an important contributor to alpha generation, encouraging and investing in positive change at companies. Progressive ESG policies should drive a company’s financial performance and share prices over the long-term.¹

External research agencies primarily use backward looking data to create ESG ratings and in doing so form the market view of a company’s ESG credentials. Through our Investment Manager’s fundamental research, the team forms a forward-looking view of companies’ ESG credentials.

ACIC does not exclude any sectors from its investment universe but all investments must pass a quality test and ESG issues are only part of the investment analysis. In addition, our Investment Manager undertakes engagement initiatives with, well-managed and well-capitalised companies which may not necessarily immediately be considered ESG leaders. Our Investment Manager seeks to effect change and develop best ESG practice through these engagement activities, which often run over several years. Progressive, well-managed companies are usually open to engagement and expert advice.

ESG Considerations in China

There is a growing appreciation from many Chinese companies of the value that attention to ESG factors can bring. Standards are evolving, disclosure is improving, and regulations (and enforcement of those regulations) around some social and environmental behaviours are stronger than

¹ For more on the link between ESG and performance, see: <https://www.abrdn.com/en/capgemini/insights-thinking-aloud/article-page/esg-performance-evidence>

in the past. Importantly, dialogue between companies and investors has improved significantly over the last five to ten years.

More Chinese companies are outlining their thinking on sustainability, aspirations to reduce their carbon footprints, and the frameworks they have in place to negate ESG-related risks. There has been tangible progress, including improvements in corporate governance, formalised dividend payout policies, improved transparency in reporting, and much-improved shareholder engagement.

These improvements have, in many cases, come as a result of sustained engagement and dialogue between long-term investors and companies.

Set out below are some of the most pressing ESG issues we consider when investing in Chinese companies and how we respond to them:

1. State control and state-owned enterprises

One misconception often held about China is that its economy is dominated by state-owned enterprises (SOEs). The reality is more nuanced. In the early days of the Chinese economic growth story SOEs did indeed dominate the economy (and hence stock markets). They were typically involved in heavier industries, including iron and steel, oil and gas. However, over time the balance has tilted towards private/entrepreneur-owned companies.

SOE reform in the late 1990s and early 2000s saw a reduction in the number of SOEs coupled with a decline in their share of economic activity, and a formalisation of the governance structure of these SOEs. Many of the remaining SOEs underwent reform, putting in place governance structures and management processes more familiar to investors in listed companies

Not all SOEs are the same

It's important to recognise that not all SOEs are the same in terms of market orientation. Our Investment Manager's deep due diligence focuses on the structure of SOE ownership (which government entity owns the SOE and whether it's a regional or central organisation); the degree to which an SOE's strategy might be influenced or driven by government policy; strategies considered by management and how they have been executed; and remuneration or incentive schemes that are in place.

Understanding the difference in quality of these companies requires deep due diligence and engagement with their boards and managers.

2. Related-party transactions

Share ownership in China can be concentrated. In addition, controlling shareholders often have multiple private and public interests.

Complex ownership structures present challenges for investors. Perhaps the most difficult of these involve related-party transactions. These are transactions between a listed company and another connected party such as shareholders, directors, sister companies, suppliers, or a range of other potential parties.

There are very clear conflicts of interest here, and a risk that value is 'tunnelled' out of the listed company. This could be through mispricing on transactions, the provision of financial guarantees (or broader financial services), or the deprivation of business opportunities.

However, related party transactions are also part of the normal course of business in China. As investors, we need to be aware of the risks, and how best to manage them. This can involve identifying which transactions are a normal course of business, and which have the potential to be abusive and potentially negative to the long-term prospects of that company.

How our Investment Manager's Due Diligence process helps

Our Investment Manager's due diligence process always starts with the controlling shareholder in order to ascertain how their interests align with ACIC's interests as a minority shareholder. Our Investment Manager checks the controlling shareholder's background to understand the alignment of interests, what connections they retain to privately held vehicles, and the way these interests may compete. Attention is also given to the board and management team and their competence, character, and commitment and, ultimately, whether the management team meets the quality hurdle.

Our Investment Manager also examines transactions in detail to understand rationale and pricing and whether a transaction is in the normal course of business, why a particular counter-party was sought, and how pricing was determined. This is laborious work, but absolutely critical to your Company's investment approach.

ESG Highlights for the Company Continued

3. Climate and environmental impact

China is both the largest single emitter of carbon dioxide globally, and also - by some distance - the world's top investor in renewable energy.

China has steadily funded research into renewables over the past decades, with the aim of both decarbonising its own energy system, and establishing itself as the 'winner' as the world seeks to decarbonise. China has set ambitious targets for decarbonisation, including its peak carbon and net-zero pledges.

This presents compelling investment opportunities. Not just in the context of the domestic Chinese market, but because Chinese renewables companies are worldleaders and will be central to decarbonisation globally.

Chinese companies are also increasingly conscious of their own environmental impact and carbon footprint. When conducting research, ACIC looks for companies that are either maximising their energy efficiency, minimising their carbon footprint, or providing products or services that allow other companies to do the same. We are able to get reliable data from companies. This is the starting point for engagement in order to understand how companies are managing their carbon emissions, water or energy risk and other factors.

While many Chinese companies are willing to disclose snapshot statistics (current year water consumption, for example), they tend to be less willing to disclose targets publicly for fear of not achieving targets. However, many companies are doing a lot more than they disclose publicly.

Engagement and disclosure

Our approach is to engage collaboratively with portfolio companies, with the aim of sharing expectations and disclosure of best practices, to help maintain and enhance the ESG standards of these companies. These meetings provide an opportunity to discuss various relevant ESG issues including board composition, remuneration, audit, climate change, labour issues, human rights, bribery and corruption. Companies are strongly encouraged to set clear targets or key performance indicators on all material ESG risks so as to enable performance monitoring. Discussions cover both risk and opportunities; our Investment Manager challenges management teams constructively on issues relating to strategy and execution, as well as capital allocation and return. These engagements are collaborative and usually long-term.

Please see below for some specific examples of our Investment Manager's engagement and its outcome.

ESG case study: Proya Cosmetics



Proya Cosmetics ("Proya") is China's fifth largest beauty and skincare company. Proya has five brands, focused on younger consumers and is enjoying rapid sales growth through its online channels and boutiques. The company has invested in product upgrades and innovation, expanding beyond its traditional skin-care related products into colour cosmetics.

Our Investment Manager has engaged with Proya on several issues, including its use of certain chemicals in products, animal testing and sustainable packaging. Proya now closely follows China's strict environmental protection laws and regulations. It has also eliminated all non-degradable raw materials such as microbeads from its products, replacing them with natural degradable materials.

Up until October 2022, Proya was rated CCC rating by MSCI, and was considered an ESG "laggard". However, based on on-the-ground engagement, it was clear that the company's management was more advanced in its thinking and ESG practices than its disclosures suggested. Therefore, we encouraged management to improve disclosures.

As a result, MSCI has now upgraded the Proya's rating to BBB, which is considered an "average" rating and our Investment Manager expects this to advance further over time with the company's understanding of its ESG obligations and opportunities for further improvements.

ESG case study: Kweichow Moutai



Kweichow Moutai is a high-end Chinese producer of baijiu, the world's biggest-selling spirit.

Our Investment Manager has invested in Kweichow Moutai for a number of years. The company's products are hugely popular in China's massive baijiu market. Male consumers, who account for most baijiu consumption, tend to drink premium baijiu such as Kweichow Moutai as they grow older and wealthier. Swelling numbers of high-net-worth individuals in China should therefore be a powerful long-term driver of demand. We have actively engaged with the company on a range of topics including climate change, environmental practices, labour management, human rights and stakeholder interests and corporate governance.

We reviewed the company's 2019 corporate and social responsibility (CSR) report and believe that its ESG practices, and disclosures, have been improving. Meanwhile, Kweichow Moutai sought specific feedback from investors on a range of ESG-related topics. In January 2022, we contacted the Board to encourage the company to establish energy efficiency targets and distribute its CSR report to a wider audience.

MSCI recently upgraded the company's ESG rating from CCC to B. Our Investment Manager believes that its engagement with the company has contributed to, and will continue to contribute to, a higher ESG rating and positive outcomes for stakeholders.

Information about the Manager, Investment Manager and Investment Management Team

Manager (abrdn Fund Managers Limited)

The Company's Alternative Investment Fund Manager is abrdn Fund Managers Limited (previously known as Aberdeen Standard Fund Managers Limited) ("AFML" or the "Manager"), which is a wholly owned subsidiary of abrdn plc and is authorised and regulated by the FCA. AFML has been appointed to provide investment management, risk management and promotional activities to the Company.

The abrdn Group's assets under management and administration were £508 billion as at 30 June 2022, managed for a range of clients including 22 UK-listed closed end investment companies.

The Investment Management Team

Nicholas Yeo



Director and Head of Equities, China

Nicholas Yeo is the Head of China/Hong Kong Equities team at abrdn. Nicholas joined abrdn in 2000 via the acquisition of Murray Johnstone. He was seconded to the London Global Emerging Market team for two years where he covered EMEA and Latin American companies, before returning to the Asian Equities team in Singapore in March 2004. In March 2007, he transferred to Hong Kong to lead Chinese equity research.

Nicholas holds a BA (Hons) in Accounting and Finance from The University of Manchester and an MSc in Financial Mathematics from Warwick Business School. He is a CFA charterholder.

Investment Manager (abrdn Hong Kong Limited)

The Company's portfolio is managed by abrdn Hong Kong Limited ("aHKL") by way of a group delegation agreement in place between AFML and aHKL. aHKL is authorised and regulated by the Securities and Futures Commission of Hong Kong.

Elizabeth Kwik



Investment Manager

Elizabeth Kwik is an Investment Manager on the China/Hong Kong Equities Team at abrdn where she is responsible for researching the Consumer Discretionary, Automobiles & Components and Banking sectors. Elizabeth sits on the China A share and All China equity fund portfolio construction groups. She joined abrdn in 2013.

Elizabeth holds a Bachelor of Science in Economics from the London School of Economics. She is a CFA charterholder.

Portfolio

The Company's NAV total return for the Financial Year was -37.0%, which compares to MSCI China All Shares Index Net Total Return in sterling terms of -31.5% for the Financial Year.

Ten Largest Investments

Tencent

Tencent (7.0%) An innovative leader in China's internet sector with a strong presence in fintech and cloud segments, backed by an entrenched social media and payment ecosystem.

CATL

Contemporary Amperex Technology (3.2%) The largest lithium battery maker in the world with leading technology and supply chain advantage, set to benefit from rise of electric vehicle and energy storage.



Kweichow Moutai (4.9%) The largest maker of Chinese alcohol spirit Baijiu, positioned in the ultrapremium space where there are few competitors. The company is well placed to capture rising domestic consumption trends in China.

cdf

China Tourism Group Duty Free (3.2%) China's largest duty-free operator that is well placed to benefit from supportive government policy and rising demand for duty-free cosmetics on the mainland.



Meituan (4.3%) A diversified online services platform with over 400 million users, offering services including food delivery, travel bookings and wedding planning. It is optimally placed to capture rising consumption in mainland China.



Bank of Ningbo (3.1%) A city bank focused on lending to small and medium enterprises in the affluent Ningbo-Zhejiang region. The bank has shown superior returns and asset quality over the years.



China Merchants Bank (3.9%) A best-in-class retail bank in China, offering diversified financial services with a solid track record and sound risk management practices in place.



JD.com (3.0%) An online retailer with an edge in its strong logistics network. The company has shown improving corporate governance and management quality over the years.



Alibaba Group (3.6%) The Chinese internet group is a leading global e-commerce company with leading platforms including Taobao and T-mall in the mainland. The company also has interests in logistics and media as well as cloud computing platforms and payments.



Ping An Bank (2.6%) One of the three main pillars of the Ping An Group, a reputable retail bank offering services in retail and corporate banking, including investment banking services with solid management track record.

% shows the percentage of net assets invested in each holding.

Investments

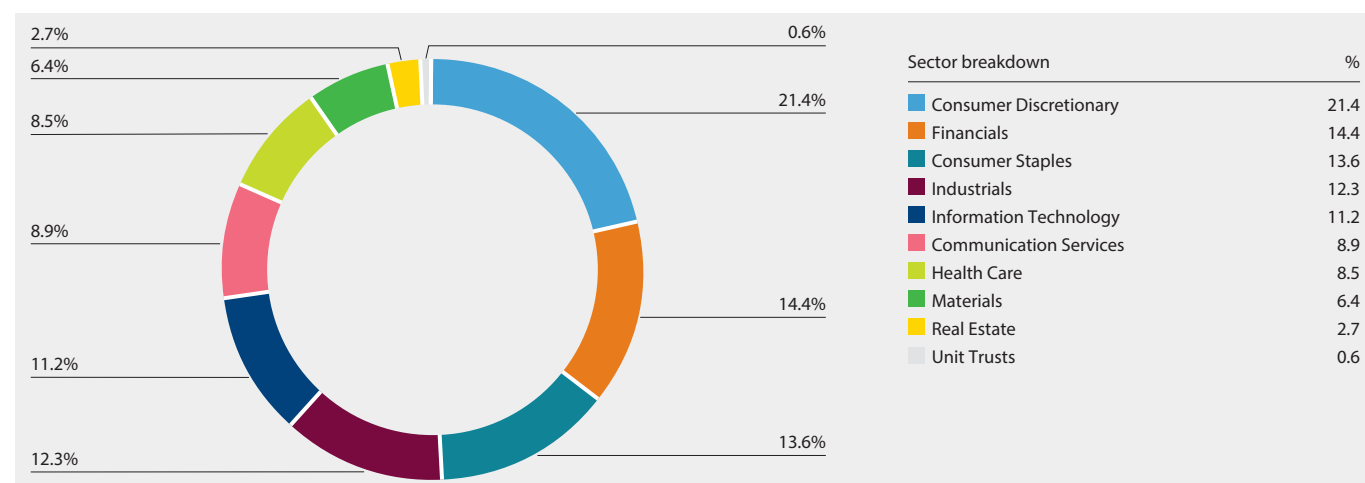
Portfolio listing as at 31 October 2022

Company	Industry (Sub-Sector)	Value (£'000)	Percentage of net assets (%)
Tencent Holdings Ltd	Interactive Media & Services	16,323	7.0
Kweichow Moutai Co Ltd	Beverages	11,435	4.9
Meituan	Internet & Direct Marketing Retail	9,882	4.3
China Merchants Bank Co Ltd	Banks	9,007	3.9
Alibaba Group Holding Ltd	Internet & Direct Marketing Retail	8,244	3.6
Contemporary Amperex Technology Co Ltd	Electrical Equipment	7,364	3.2
China Tourism Group Duty Free Corp Ltd	Banks	7,326	3.2
Bank of Ningbo Co Ltd	Banks	7,125	3.1
JD.com Inc	Internet & Direct Marketing Retail	6,918	3.0
Ping An Bank Co Ltd	Banks	6,035	2.6
Top ten investments		89,659	38.8
AIA Group Ltd	Insurance	6,027	2.6
Glodon Co Ltd	Software	5,134	2.2
Proya Cosmetics Co Ltd	Personal Products	5,106	2.2
Wanhua Chemical Group Co Ltd	Chemicals	5,044	2.2
LONGi Green Energy Technology Co Ltd	Semiconductors & Semiconductor Equipment	4,731	2.0
Shenzhen Mindray Bio-Medical Electronics Co Ltd	Textiles, Apparel & Luxury Goods	4,584	2.0
Sungrow Power Supply Co Ltd	Electrical Equipment	4,533	1.9
Nari Technology Co Ltd	Electrical Equipment	4,033	1.7
Yunnan Energy New Material Co, Ltd.	Containers and Packaging	3,873	1.7
Hundsun Technologies Inc	Software	3,871	1.7
Top twenty investments		136,595	59.0
Chacha Food Co Ltd	Food Products	3,771	1.6
Fuyao Glass Industry Group Co Ltd	Auto Components	3,714	1.6
NetEase Inc	Interactive Media & Services	3,607	1.6
Midea Group Co., Ltd.	Electrical Equipment	3,599	1.5
Hefei Meiya Optoelectronic Technology Inc	Machinery	3,584	1.5
Li Ning Co Ltd	Textiles, Apparel & Luxury Goods	3,531	1.5
Hong Kong Exchanges & Clearing Ltd	Capital Markets	3,415	1.5
Sinoma Science & Technology Co Ltd	Chemicals	3,414	1.5
Aier Eye Hospital Group Co Ltd	Health Care Providers & Services	3,319	1.4
Shanghai M&G Stationery Inc	Commercial Services & Supplies	3,241	1.4
Top thirty investments		171,790	74.1
Foshan Haitian Flavouring & Food Co Ltd	Food Products	3,159	1.4
Venustech Group Inc	Software	3,112	1.3
StarPower Semiconductor Ltd.	Semiconductors & Semiconductor Equipment	3,067	1.3
By-health Co Ltd	Personal Products	3,034	1.3

Investments Continued

Company	Industry (Sub-Sector)	Value (£'000)	Percentage of net assets (%)
China Vanke Co Ltd	Banks	3,026	1.3
Shenzhou International Group Holdings Ltd	Textiles, Apparel & Luxury Goods	2,987	1.3
China Resources Land Limited	Real Estate Management & Development	2,934	1.3
Amoy Diagnostics Co Ltd	Biotechnology	2,830	1.2
Estun Automation Co., Ltd	Machinery	2,724	1.2
Hangzhou Tigermed Consulting Co Ltd	Life Sciences Tools & Services	2,606	1.1
Top forty investments		201,269	86.8
Wuxi Biologics Cayman Inc	Life Sciences Tools & Services	2,545	1.1
China Meidong Auto Holdings Ltd	Banks	2,449	1.1
Luxshare Precision Industry Co Ltd	Electronic Eqpt Instruments & Components	2,259	1.0
Inner Mongolia Yili Industrial Group Co Ltd	Beverages	2,231	1.0
Jiangsu Hengrui Medicine Co Ltd	Pharmaceuticals	2,211	0.9
Zhejiang Weixing New Building Materials Co., Ltd.	Plumbing Fixtures & Fittings	2,122	0.9
Anhui Conch Cement Company Limited	Construction and Materials	2,057	0.9
Maxscend Microelectronics Co Ltd	Electronic Eqpt Instruments & Components	1,835	0.8
Komodo Fund	Unit Trusts	1,319	0.6
Yantai China Pet Foods Co Ltd	Food Products	1,291	0.5
Top fifty investments		221,588	95.6
GDS Holdings Ltd	IT Services	1,056	0.4
Zai Lab Ltd	Biotechnology	961	0.4
Wuliangye Yibin Co Ltd	Beverages	459	0.2
Total investments		224,064	96.6
Cash plus other net current assets and liabilities		7,779	3.4
Net assets		231,843	100.0

Sector Breakdown as at 31 October 2022



Source: Datastream

Governance

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

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship with the Manager.

Directors' Report

The Directors of abrdn China Investment Company Limited ("the Company") present the report and financial statements for the Financial Year ended 31 October 2022.

Investment Objective and Investment Policy

A change of investment objective and investment policy was approved by shareholders on 26 October 2021. The new investment objective and investment policy is set out below:

Investment Objective

The Company's investment objective is to produce long-term capital growth by investing predominantly in Chinese equities.

Investment Policy

The Company invests in companies listed, incorporated or domiciled in the People's Republic of China ("China"), or companies that derive a significant proportion of their revenues or profits from China operations or have a significant proportion of their assets there. In furtherance of the investment policy, the portfolio will normally consist principally of quoted equity securities and depositary receipts although unlisted companies, fixed interest holdings or other non-equity investments may be held. Investments in unquoted companies will be made where the Investment Manager has a reasonable expectation that the company will seek a listing in the near future. The portfolio is actively managed and may be invested in companies of any size and in any sector.

The Company is expected to have an ESG rating equal to, or better than, the MSCI China All Shares Index and have meaningfully lower carbon intensity than the Index.

The portfolio is actively managed and the Company aims to outperform the MSCI China All Shares Index (in sterling terms). This index is used as a reference point for portfolio construction and as a basis for setting risk constraints, but does not incorporate any sustainability criteria. In order to achieve its objective, the Company will take positions whose weightings diverge from the index or invest in securities which are not included in the index. Investments may deviate significantly from the components of, and their respective weightings in, the MSCI China All Shares Index. Due to the active nature of the management process, the Company's performance profile may deviate significantly from that of the index.

The portfolio is expected normally to comprise between 30 and 60 securities (including any unlisted securities held) but may hold up to 100. No individual issuer will represent a greater weight in the portfolio than the lower of (i) 10% or (ii) its weight in the MSCI China All Shares Index (in sterling

terms) plus 5%, as measured at the time of investment. The maximum permitted exposure to a single group is 20% of the Company's total assets, as measured at the time of investment.

The Company may continue to hold certain illiquid assets which were acquired prior to adoption of this policy pending their orderly disposal. These assets are not expected to represent a significant proportion of the portfolio.

Risk Management

The Company will at all times be invested in several sectors. While there are no specific limits placed on exposure to any one particular sector, the Company will at all times invest and ensure that the portfolio is managed in a manner consistent with spreading investment risk.

The Company may invest in unquoted securities and/or securities with lock-up periods provided that such investments, in aggregate, are limited to 10% of the Company's net assets at the time any such investment is made.

With prior approval of the Board, the Company may use derivatives for the purposes of efficient portfolio management in order to reduce, transfer or eliminate investment risk in the Company's portfolio. Derivative instruments in which the Company may invest may include foreign exchange forwards, exchange-listed and over-the-counter options, futures, options on futures, swaps and similar instruments. The Company does not intend to enter into derivative or hedging transactions to mitigate against wholesale general currency or interest rate risk.

The Company may invest no more than 10% in aggregate of its gross asset value at the time of acquisition in other listed closed-ended investment funds, but this restriction will not apply to investments in such funds which themselves have stated investment policies to invest no more than 15% of their gross asset value in other closed-ended investment funds.

Gearing

The Company may employ gearing and may in aggregate, borrow amounts equalling up to 20% of gross asset value, although the Board expects that borrowings will typically not exceed 15% of gross asset value at the time of drawdown.

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of cash equivalent instruments. There is no restriction on the amount of cash or cash-equivalent instruments that the Company may hold.

Business Activities

The Company is a closed-ended investment company incorporated and resident in Guernsey and holds a Premium Listing on the London Stock Exchange.

Following the merger with New Thai, the Company had been granted approval by HMRC to be classified as an investment trust under Chapter 4 of Part 24 CTA 2010 and Chapter 1 of Part 2 of The Investment Trust Tax Regulations. As a result, the Company became an investment trust with effect from 9 November 2021 and is registered in the United Kingdom for tax purposes.

Results and Dividends

The Company's total comprehensive income for the Financial Year was a loss of £140,954,000 (2021: profit of £64,156,000). The Company's revenue return for the Financial Year amounted to a profit of £1,851,000 (2021: loss of £282,000).

During the Financial Year, the Board revised the Company's dividend policy. The Company's dividend policy is to distribute a sufficient proportion of income delivered by the portfolio to ensure that the Company retains its investment trust status. To achieve this objective, At the end of the Financial Year, the profitability of the Company was such that the Board is able to declare an interim dividend in respect of the Financial Year ended 31 October 2022 of 3.2p per Ordinary share which will be payable to Shareholders on 17 March 2023 with an associated ex-dividend date of 23 February 2023.

Dividend Policy

Prior to the merger with Aberdeen New Thai Investment Trust PLC, the Company's policy was to make quarterly distributions by way of dividends funded from a combination of income and capital.

During the Financial Year, the Board revised its dividend policy to bring distributions in line with the income delivered by the portfolio with the objective of distributing a sufficient proportion to ensure that the Company retains its investment trust status. In this context, this requires that the Company retains no more than 15% of the income generated by the portfolio in a financial year. The Board therefore expects that the dividend will be materially lower than has been the case in the past and will vary year-on-year. It is anticipated but not expected that the Company will pay a single dividend in respect of each financial year once the annual results are known.

Investment Report and Outlook

The Chairman's Statement and Investment Manager's Report incorporate a review of the highlights during the Financial Year and the outlook for the forthcoming year.

Key Performance Indicators ("KPIs")

The Company's success in attaining its objectives is measured by reference to the following KPIs:

- The Company seeks to generate consistent relative returns ahead of those generated by its Benchmark.
- The Company seeks to achieve a positive absolute return over the longer term through its exposure to Chinese equities.

Performance

An overview of the Company's performance is contained in the Chairman's Statement and Investment Manager's Report.

Ongoing Charges

For the Financial Year ended 31 October 2022, the Company's ongoing charges figure, calculated using the Association of Investment Companies' ("AIC") methodology, was 0.60% (2021: 0.98%), the calculation of which can be found in the Alternative Performance Measures section of this Annual Report.

Principal Risks, Emerging Risks and Uncertainties

Together with the issues discussed in the Chairman's Statement and the Investment Manager's Report, the Board considers that the main risks and uncertainties faced by the Company fall into the following categories:

(i) Risks relating to the Company

- The Company has no employees and the Directors have been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third-party service providers for its executive functions and is exposed to the risk that misconduct by employees of those service providers, any failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment, or the termination of those appointments could have an adverse effect on the portfolio and the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of its Ordinary shares.

Directors' Report Continued

(ii) Risks relating to the investment policy

- There can be no guarantee that the Company will achieve its investment objective or that investors will get back the full value of their investment.
- The investments of the Company are subject to the risk of changes in market prices or macroeconomic factors. Any such changes could have an adverse effect on the value of the portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on returns to shareholders and the market value of its Ordinary shares.
- The Company's NAV is inherently sensitive to the performance of Chinese equity markets which could result in the Company's Ordinary shares trading at a discount or being less liquid.
- The portfolio will be concentrated in a single country and will therefore be exposed to risks associated with geographical concentration, including being exposed to the fluctuations of a more limited geographical market and fewer currencies than a less concentrated portfolio.
- The Company is exposed to particular economic, regulatory, political, geopolitical, environmental and taxation risks associated with investments in the People's Republic of China, which could have an adverse effect on the portfolio, the Company's financial condition, results of operations and prospects were they to materialise, with a consequential adverse effect on the market value of its Ordinary shares.
- The Company is exposed to currency and foreign exchange risk as a result of holding investments denominated in currencies other than sterling which could have an adverse effect on the portfolio and the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of its Ordinary shares.

(iii) Risks relating to the Manager/Investment Manager

- The success of the Company is dependent on the Alternative Investment Fund Manager ("AIFM") and the Investment Manager and their expertise, key personnel, and ability to source and advise appropriately on investments. As a result of this, the Company's portfolio, financial condition, results of operations, prospects and the value of the shares could be adversely affected by: competitive pressures on the AIFM or the Investment Manager's ability to source and make successful investments; any failure by the AIFM or the Investment Manager to carry out due diligence and obtain relevant information on prospective investments; or any loss of key personnel of the AIFM or the Investment Manager and any inability to recruit appropriate replacements in a timely fashion.

(iv) Risks relating to regulation, taxation and the Company's operating environment

- The Covid-19 pandemic may adversely affect the performance of investee companies due to ongoing macroeconomic and market uncertainty, which may in turn adversely impact the Company's financial performance and prospects and the value of its portfolio.
- Changes in the laws or regulations in Guernsey or the UK which govern the Company's and the Investment Manager's operations may have an adverse effect on the ability of the Company and the Manager / Investment Manager to carry on their respective businesses and any such changes could have an adverse effect on the portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares.

Management or mitigation of the above risks

The Company has a risk management process in place. This mechanism enables the Board to monitor the Company's spread of investments across several sectors. The Board receives and monitors reports from the Manager and the Administrator on a quarterly basis at the minimum.

(v) Internal Risks

Poor allocation of the Company's assets by the Investment Manager, poor governance, compliance or administration, including poor controls over cyber security, could result in shareholders not making acceptable returns on their investment in the Company.

Management or mitigation of internal risks

The Board monitors the performance of the Manager and the other key service providers at regular Board meetings. The Manager provides reports to the Board on compliance matters and the Administrator provides reports to the Board on compliance and other administrative matters. The Board has established various committees to ensure that relevant governance matters are addressed by the Board.

The management or mitigation of internal risks is described in detail in the Corporate Governance Statement on pages 37 and 38.

(vi) Emerging Risks

Emerging risks are slow moving trends, innovations and shifts with potential consequence to a specific industry or sector in the long-term. They can include movements in: demographics,

economics, society, technological innovations, national policy and governance. Long-term shifts in temperatures and weather patterns caused by human activity, primarily due to the burning of fossil fuels, or by natural phenomena may have a negative effect on ecological and socioeconomic wellbeing.

Management or mitigation of emerging risks

A risk management register and associated risk heat map, providing a visual reflection of the Company's identified and emerging risks have been established to monitor and mitigate risks to the Company, with both a risk pre mitigation and risk post mitigation score determined, depending on the impact of the risk combined with the probability of the risk occurring.

(vii) Failure to manage premium and/or discount

The Board's discount control policy is that the Company's shares should not trade at a price which, on average, represents a discount that is out of line with the Company's direct peer group. To assist the Board in taking action to deal with a material and sustained deviation in the Company's discount from its peer group, it seeks authority from Shareholders annually to buy back shares. Shares may be repurchased when, in the opinion of the Board and taking into account factors such as market conditions and the discounts of comparable companies, the Company's discount is higher than desired and shares are available to purchase in the market. The Board is of the view that the principal purpose of share repurchases is to enhance the net asset value ("NAV") for remaining shareholders, although it may also assist in addressing the imbalance between the supply of and demand for the Company's shares and thereby reduce the scale and volatility of the discount at which the shares trade in relation to the underlying NAV.

Borrowings

The Company may employ gearing and may in aggregate borrow amounts equaling up to 20% of gross asset value, although the Board expects that borrowings will typically not exceed 15% of gross asset value at the time of drawdown.

The facility agreement with The Royal Bank of Scotland International (London Branch) ("RBSI") terminated on 26 March 2022. On the 13 April 2022 the Company entered into an unsecured 2 year multicurrency revolving loan facility with Industrial and Commercial Bank of China Limited, London Branch ("ICBC"), under which loans with a maximum principal amount of £15 million may be drawn (with a £15 million accordion option). The revolving loan facility agreement with ICBC terminates on 12 April 2024. As at 31 October 2022, no amount was drawn down (2021: £nil).

Gearing

At 31 October 2022, the Company had no borrowings drawn down, hence no gearing (2021: net gearing of nil%). The Directors monitor the Company's gearing on a regular basis in accordance with the Company's investment policy and under advice from the Investment Manager.

Market Information

The NAV per Ordinary share is calculated for each business day and is published through a regulatory information service.

Ordinary Shares in Issue

As at 31 October 2022, the Company had 45,283,575 (2021: 45,965,159) Ordinary shares in issue (excluding shares held in treasury). The Company also held 16,889,372 Ordinary shares in treasury (2021: 8,653,348).

Purchase of Own Shares

The Company purchased 1,341,251 Ordinary shares during the Financial Year (2021: nil).

Since 1 November 2022 to the date of signing, the Company purchased a further 1,268,709 Ordinary shares and held these in treasury.

As described above, the Company seeks authority from shareholders annually to buy back Shares, in order to assist the Board in taking action to deal with material and sustained deviation in the Company's discount from its peer group.

The Company's present authority to make market purchases of its own Ordinary shares will expire at the conclusion of the Annual General Meeting ("AGM") at which time a new authority to buy back shares will be sought. The timing of any purchase will be decided by the Board. Any shares bought back by the Company will either be cancelled, or if the Directors so determine, held in treasury (and may be re-sold). Purchases of own shares will only be made at a price representing a discount to NAV per Ordinary share.

The Panel on Takeovers and Mergers (the "Panel") must be consulted in advance in any case where Rule 9 of the Takeover Code (the "Code") might be relevant. The Company has consulted with the Panel in relation to the proposed buy-back authority. On the basis that City of London Investment Management Company Limited ("CoL") has not appointed a representative to the board of the Company and that none of the directors of the Company are acting in concert with CoL, the Panel has confirmed on an ex parte basis to the Company that the increase in CoL's shareholding, as a result of the

Directors' Report Continued

purchase by the Company of its own shares pursuant to the authority conferred by Resolution 11, will not trigger an obligation for CoL to make a mandatory offer for the Company under Rule 9 of the Code.

Allotment of Shares and Disapplication of Pre-Emption Rights

At the forthcoming AGM, an ordinary resolution will be proposed to confer an authority on the Directors to allot and issue up to 2,200,743 shares (or, if less, the number of shares representing 5% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution) without regard to any and all rights of pre-emption or similar rights, whether under the Articles of Incorporation of the Company (including, without limitation, Article 6.2(a)) or otherwise.

This authority will expire at the conclusion of the AGM in 2024. The Directors consider that the authority proposed to be granted at the AGM are necessary to retain flexibility, although they do not, at the present time, have any intention of exercising such authorities.

Significant Shareholders

As at 31 October 2022 and as at the date of this report, the Company had noted the following significant shareholdings of the issued Ordinary shares (excluding treasury shares).

	31 October 2022 Holding	%
City of London Investment Management	12,572,320	27.8
Lazard Asset Management	10,641,735	23.5
Allspring Global Investments	8,798,715	19.5
1607 Capital Partners	2,905,950	6.4
West Yorkshire Pension Fund	1,522,656	3.4

Since the end of the Financial Year, the Company has been notified that City of London Investment Management Company Limited's holding has changed to 12,859,435 Ordinary shares (29.0%), Lazard Asset Management LLC's holding has changed to 6,690,499 Ordinary shares (15.0%) and Allspring Global Investments Holdings, LLC's holding has changed to 9,059,348 Ordinary shares (20.0%). There have been no other changes notified to the Company as at the date of this Report.

Non-Mainstream Pooled Investments ("NMPs")

Financial Conduct Authority ("FCA") rules determine which investment products can be promoted to ordinary retail investors. Under these rules, certain investment products are classified as NMPs and as a result face restrictions on their promotion to retail investors.

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ("IFAs") to retail investors in accordance with the FCA rules in relation to NMPs and intends to continue to do so for the foreseeable future.

The Board has been advised that the Company's shares are excluded from the FCA's restrictions which apply to NMPs because they are shares issued by a non-UK company which would qualify as an investment trust if resident in the UK.

Continuation Vote and Future Performance Linked Tender Offers

The Company does not have a fixed life but the Directors consider it desirable that shareholders have the opportunity to review the future of the Company at appropriate intervals.

At the EGM held on 26 October 2021, shareholders approved new Articles of Association which contain a provision for continuation resolutions to be put to shareholders such that, at the Company's AGM to be held in 2027 and at every fifth AGM thereafter, the Directors undertake to propose an ordinary resolution that the Company continue in existence (the "Continuation Resolution"). If the Continuation Resolution is not passed then within four months of the continuation vote failing the Directors shall formulate and put to Members proposals relating to the future of the Company having had regard to, inter alia, prevailing market conditions and applicable regulations and legislation.

In addition, the Board intends that, if the Company's net asset value total return over the five years ending October 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% 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 formula asset value ("FAV") per share less 2%.

Automatic Exchange of Information

Foreign Account Tax Compliance Act ("FATCA")

FATCA legislation, which was introduced in the United States of America, places obligations on foreign financial institutions such as the Company. In Guernsey, local law has been introduced that gives effect to the FATCA requirements and certain reporting obligations are placed on financial institutions as defined by this act. The Company is registered as a reporting financial institution and is subject to ongoing reporting obligations under the legislation.

The Common Reporting Standard ("CRS")

CRS is the result of the drive by the G20 nations to develop a global standard for the automatic exchange of financial account information, developed by the Organisation for Economic Cooperation and Development. Guernsey has introduced local legislation to give effect to CRS. Guernsey financial institutions are required to identify, review and report on accounts maintained by them which are held by account holders resident in jurisdictions with which Guernsey has agreed to exchange information.

Depository and Custody Services

Northern Trust (Guernsey) Limited has been appointed to provide depository and custody services to the Company.

Management

Since 1 June 2016, the Company's Alternative Investment Fund Manager has been abrdn Fund Managers Limited (previously called Aberdeen Standard Fund Managers Limited) ("AFML"), which is a wholly owned subsidiary of abrdn plc and is authorised and regulated by the FCA. AFML has been appointed to provide investment management, risk management and promotional activities to the Company.

Following approval of the change to the Company's investment policy at the EGM on 26 October 2021, the Company's portfolio is managed by abrdn Hong Kong Limited ("aHKL") by way of a group delegation agreement in place between AFML and aHKL. Promotional activities have been delegated to abrdn Investments Limited ("AIL") (previously called Aberdeen Asset Managers Limited).

Prior to the approval of the change to the Company's investment policy at the EGM on 26 October 2021, the Company's portfolio was managed by AIL by way of a group delegation agreement in place between AFML and AIL. Immediately following the EGM a sub-delegation agreement was put in place between aHKL and AIL in order that the latter could manage the sale of the legacy

assets. Once those assets have been sold, the sub-delegation agreement will be ended.

Further details of the key terms of the agreement and fees payable to the Manager can be found in note 6 to the financial statements.

Alternative Investment Fund Managers Directive ("AIFMD")

The Company appointed AFML as its Alternative Investment Fund Manager ("AIFM") with effect from 1 June 2016.

An AIFM must ensure that an Annual Report for the Company is made available to investors for each financial year, provide the Annual Report to investors on request and make the Annual Report available to the FCA. The investment funds sourcebook of the FCA details the requirements of the Annual Report.

All the information required by those rules and relevant AIFM remuneration disclosures are or will be available on the Company's website (abrdnchina.co.uk).

Management Engagement

In accordance with the requirements of the FCA's Listing Rules, the Management Engagement Committee has reviewed whether to retain AFML as the Manager of the Company. The Management Engagement Committee has agreed that, given the performance record of the Investment Manager and the specialist knowledge of AFML, it is in the best interests of shareholders as a whole to continue with AFML's appointment as Manager to the Company.

Company Secretary and Administrators

Vistra Fund Services (Guernsey) Limited ("Vistra") is appointed as Administrator and Secretary to the Company.

Sanne Fund Services (UK) Limited ("Sanne") is appointed by Vistra to act as administration agent in the United Kingdom.

Further details on the fees payable under these agreements can be found in note 6 to the financial statements.

Payment of Suppliers

It is the Company's payment policy to obtain the best terms for all business and therefore there is no consistent policy as to the terms used. The Company contracts with its suppliers setting out the terms on which business will take place and abides by such terms. A high proportion of expenses, including management and administration fees, are paid within the month when invoiced. There were no overdue amounts owing to trade creditors at 31 October 2022.

Directors' Report Continued

Settlement of Share Transactions

Transactions in the Company's Ordinary shares are settled by the CREST share settlement system.

Donations

The Company did not make any political or charitable donations during the Financial Year under review.

Going Concern

The Directors have adopted the going concern basis in preparing the financial statements. The Board formally considered the Company's going concern status at the time of the publication of these financial statements and a summary of the assessment is provided below.

Since the adoption of the new investment policy, as approved by shareholders at the EGM held on 26 October 2021, the Board considered it appropriate to reset the five year interval between Continuation Resolutions so that the next Continuation Resolution will be put to shareholders at the Annual General Meeting of the Company to be held in 2027.

The Directors believe that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows.

As at 31 October 2022, the Company held £8.5 million in cash and £224.1 million in investments. It is estimated that approximately 99% of the investments held at the Financial Year end could be realised in one month. The total operating expenses for the Financial Year ended were £1.9 million, which on an annualised basis represented approximately 0.60% of average net assets during the Financial Year. The Company also incurred £0.1 million of finance costs. At the date of approval of this report, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 9 February 2023 were £311.0 million.

The Company has a £15 million revolving loan facility with Industrial and Commercial Bank of China limited, London Branch ('ICBC'), terminating in April 2024. As at 31 October 2022, none of the ICBC facility was drawn down. The liquidity of the Company's portfolio, as mentioned above, sufficiently supports the Company's ability to repay its borrowings at short notice. Since the Financial Year ended the Investment Manager has drawn down a total of CNH 106m (£12.7m) in two tranches.

In light of the Covid-19 pandemic, the Directors have fully considered and assessed the Company's portfolio of investments. A prolonged and deep market decline could lead to falling values of the investments or interruptions to cashflow. However, the Company currently has more than sufficient liquidity available to meet any future obligations.

The Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements and, after due consideration, that the Company is able to continue in operation for a period of at least 12 months from the date of approval of these financial statements.

Covid-19

The rapid spread of Covid-19 led governments across the globe to implement policies to restrict the gathering, interaction and/or movement of people. These policies have inevitably impacted and changed the nature of the operations of some aspects of the Company, its key service providers and companies in its investment portfolio. Share prices respond to assessments of future economic activity as well as their own forecast performance, and the Covid-19 pandemic has had a material impact on the global economy and may continue to do so for an unknown period of time. Stock markets have seen another year of unprecedented movements in prices and in some cases, uncorrelated with underlying valuations. The Board and Investment Manager have regular discussions to assess the impact of emerging risks, including Covid-19 on both the investment portfolio and on its ability to maximise returns for shareholders. See the Chair's Statement and Manager's Report for more detailed commentary on the impact of Covid-19 on the Chinese economy and investment portfolio.

Viability Statement

The Directors have assessed the prospects of the Company over the period from the date of this report up until 31 October 2025 (the "Period"). The Directors believe that the Period, being approximately three years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy.

In their evaluation of the prospects of the Company, the Directors have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, as set out on pages 23 to 25 of this report. Developments in Chinese and other Asian

markets and portfolio changes are discussed at quarterly Board meetings and the internal control framework of the Company is subject to formal review on at least an annual basis. Under normal market conditions, the majority of the investments held by the Company could be sold within one month. However, there are circumstances which could lead to a reduction in market liquidity and, therefore, the ability of the Company to realise its investments.

The Directors do not expect there to be any material increase in the annual ongoing charges of the Company over the Period. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's operating expenses, and any other costs likely to be faced by the Company over the Period.

The continuation of the Company is subject to the approval of shareholders every five years, with the next vote due to take place at the Annual General Meeting in 2027.

Taking the above into account, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the Period.

Auditor

KPMG Channel Islands Limited ("KPMG") was re-appointed as auditor of the Company at the AGM held on 12 April 2022. A resolution for the re-appointment of KPMG Channel Islands Limited as auditor of the Company is to be proposed at the forthcoming AGM.

Annual General Meeting ("AGM")

The AGM will be held on 13 April 2023. Further details are provided in the Chairman's Statement. The notice of AGM is included in this document.

Corporate Governance

The Corporate Governance Statement on pages 30 to 38 forms part of this report.

Statement of Directors' Responsibilities

The Statement of Directors' Responsibilities on page 46 forms part of this report.

Helen Green

Chairman

13 February 2023

Corporate Governance Statement

This Corporate Governance Statement forms part of the Directors' Report.

The Board of abrdn China Investment Company Limited ("the Company") has considered the principles and recommendations of the Association of Investment Companies' ("AIC") Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") as issued in February 2019 and available on the AIC's website (theaic.co.uk). The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in the UK Corporate Governance Code, issued in July 2018 and available on the FRC's website (frc.org.uk), 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 UK Corporate Governance Code), will provide better information to shareholders.

The Guernsey Financial Services Commission revised its Code of Corporate Governance (the "Guernsey Code") in 2021. Companies which report under the AIC Code are deemed to meet the requirements of the Guernsey Code.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- interaction with the workforce (provisions 2, 5 and 6);
- the role and responsibility of the chief executive (provisions 9 and 14);
- previous experience of the chairman of a remuneration committee (provision 32); and
- executive directors' remuneration (provisions 33 and 36 to 41).

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 aims to provide effective leadership so the Company has the platform from which it can achieve its investment objective. Its role is to guide the overall business strategy for the benefit of shareholders and stakeholders, ensuring that their interests are its primary consideration. The intention is to create a supportive working environment which allows the Investment Manager the opportunity to manage the portfolio in accordance with the investment policy, through a framework of effective controls which enable risks to be assessed and managed.

A procedure has been adopted for the Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. Directors are encouraged to attend industry and other seminars, including courses run by the AIC, covering issues and developments relevant to investment companies.

Upon joining the Board, new Directors receive an induction and other relevant training is available to Directors on an ongoing basis.

Composition

Mrs Green was appointed by the Board on 1 July 2016, Ms de Rochechouart was appointed by the Board on 16 April 2019, Ms Anne Gilding and Ms Sarah MacAulay were appointed by the Board on 9 November 2021. Mr Bridgeman was appointed by the Board on 1 August 2022. All the Directors hold their office in accordance with the Company's Articles of Incorporation.

All Directors are considered by the Board to be independent at the date of this report.

Helen Green

Status:

Independent Non-Executive Chairman



Experience:

Guernsey resident - is a chartered accountant and has been employed by Saffery Champness, a top 20 firm of chartered accountants since 1984. She qualified as a chartered accountant in 1988, and became a partner in the London office in 1998. Since 2000 she has been based in the Guernsey office where she is a Client Liaison Director, responsible for trust and company administration.

Length of service:

6 years, appointed a Director on 1 July 2016 and as Chairman on 1 August 2022

Last re-elected to the Board:

12 April 2022

Contribution:

The Nomination Committee has reviewed the contribution of Helen Green in light of her proposed re-election as a Director at the forthcoming AGM and has concluded that she chairs the Board effectively and continues to provide significant accounting and administrative knowledge to the Board.

Committee membership:

Remuneration Committee, Management Engagement Committee (Chair) and Nomination Committee (Chairman of the Audit Committee until 1 August 2022, when she was appointed as Chairman of the Board)

All other public company directorships:

Landore Resources Limited, CQS Natural Resources Growth and Income PLC, and JP Morgan Global Core Real Assets Limited.

Corporate Governance Statement Continued

Mark Bridgeman

Status:

Independent Non-Executive
Director and Chairman of the Audit
Committee



Experience:

United Kingdom Resident - Until 2009, Mark had a 19 year executive career in fund management at Schroders plc, as an analyst, fund manager and latterly Global Head of Research. Previous roles at Schroders included Head of Pan European Research, Head of Global Sector Research and an Emerging Markets Fund Manager. He is currently a non-executive director of Utilico Emerging Markets Trust plc.

Length of service:

Appointed a Director on 1 August 2022

Last re-elected to the Board:

n/a (newly appointed)

Contribution:

The Nomination Committee has reviewed the contribution of Mark Bridgeman in light of his proposed election as a Director at the forthcoming AGM and has concluded that he provides valuable insight to the global fund management sector. He also has recent and relevant financial experience and is an effective Audit Committee Chairman.

Committee membership:

Audit Committee (Chair), Remuneration Committee, Management Engagement Committee and Nomination Committee

All other public company directorships:

Utilico Emerging Markets Trust plc

Eleonore de Rochechouart

Status:

Independent Non-Executive
Director



Experience:

United Kingdom Resident - is a partner of Res Familiaris LLP, a London-based wealth and corporate management advisory boutique. Prior to joining Res Familiaris in 2010, Eleonore spent 20 years in the financial services industry as an economist, researcher and asset allocator in both the traditional and alternative investment arena. She started her career in 1992 at Dubin & Swieca Capital Management's branch in France, before joining Standard & Poor's Rating Agency in 1998. She was then appointed CIO of a French family office in 2003 before moving to London in 2010.

Length of service:

3 years, appointed a Director on 16 April 2019

Last re-elected to the Board:

12 April 2022

Contribution:

The Nomination Committee has reviewed the contribution of Eleonore de Rochechouart in light of her proposed re-election as a Director at the forthcoming AGM and has concluded that she continues to provide significant economic insight to the Board and of the investment trust sector.

Committee membership:

Audit Committee, Remuneration Committee, Management Engagement Committee and Nomination Committee

All other public company directorships:

N/a

Anne Gilding**Status:**

Independent Non-Executive Director

**Experience:**

United Kingdom Resident - over the last 25 years she has led the development of global communications, branding and marketing solutions for a broad range of companies including Impax Asset Management Group plc, BMO (formerly F&C), GAM, Vernalis Group plc and UBS. She is currently a senior adviser to Peregrine Communications and has served a term as a trustee of an educational charity.

Length of service:

1 year, appointed a Director on 9 November 2021

Last elected to the Board:

12 April 2022

Contribution:

The Nomination Committee has reviewed the contribution of Anne Gilding in light of her proposed election as a Director at the forthcoming AGM and has concluded that she continues to bring knowledge of investment management and the Board relies on her valuable expertise in marketing, promotional activities and ESG.

Committee membership:

Audit Committee, Remuneration Committee, Management Engagement Committee and Nomination Committee

All other public company directorships:

Momentum Multi-Asset Value Trust plc

Sarah MacAulay**Status:**

Senior Independent Non-Executive Director

**Experience:**

United Kingdom Resident - Formerly a Director of Baring Asset Management (Asia) Limited in Hong Kong and Asian Investment Manager at Eagle Star and Kleinwort Benson in London. She has over 20 years of Asian fund management experience in London and Hong Kong, managing and marketing portfolios across numerous jurisdictions.

Length of service:

1 year, appointed a Director on 9 November 2021

Last elected to the Board:

12 April 2022

Contribution:

The Nomination Committee has reviewed the contribution of Sarah MacAulay in light of her proposed election as a Director at the forthcoming AGM and has concluded that she continues to provide significant investment insight and the Board employs her knowledge of the investment trust sector.

Committee membership:

Audit Committee, Remuneration Committee (Chair), Management Engagement Committee and Nomination Committee (Chair)

All other public company directorships:

Fidelity Japan Trust PLC, JPMorgan Multi-Asset Growth & Income plc (Chairman) and Schroder Asian Total Return Investment Company plc (Chairman)

Corporate Governance Statement Continued

Directors' and Officers' Liabilities Insurance

An insurance policy covering Directors' and officers' liabilities is maintained by the Company.

Board Diversity

The Company's policy is that the Board should have a broad range of skills and cognitive diversity. The Board performs an annual review of its performance and these factors form part of that review process. The Board comprised one male and four female Directors. The Board has given careful consideration to the recommendations of the AIC Code and other guidance on boardroom diversity. The Board considers these recommendations when reviewing Board composition.

Board's Policy on Tenure

In normal circumstances, it is the Board's expectation that Directors will not serve beyond the Annual General Meeting following the ninth anniversary of their appointment. However, the Board takes the view that independence of individual Directors is not necessarily compromised by length of tenure on the Board and that continuity and experience can add significantly to the Board's strength. The Board believes that recommendation for re-election should be on an individual basis following a rigorous review which assesses the contribution made by the Director concerned, but also taking into account the need for regular refreshment and diversity.

It is the Board's policy that the Chairman of the Board will not normally serve as a Director beyond the Annual General Meeting following the ninth anniversary of his or her appointment to the Board. However, this may be extended in certain circumstances or to facilitate effective succession planning and the development of a diverse Board. In such a situation the reasons for the extension will be fully explained to shareholders and a timetable for the departure of the Chairman clearly set out.

Changes to the Board

Following completion of the combination with Aberdeen New Thai Investment Trust PLC on 9 November 2021, Anne Gilding and Sarah MacAulay, who were both non-executive directors of that company, were appointed Directors. Sarah MacAulay has been appointed Senior Independent Director. William Collins retired from the Board on 12 April 2022. Mark Hadsley-Chaplin retired from the Board on 1 August 2022 and Helen Green was appointed as Chairman of the Company on that date. Mark Bridgeman was appointed as a Director of the Company on 1 August 2022. Mark Bridgeman has been appointed Chairman of the Audit Committee.

The Role of the Chairman and Senior Independent Director

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

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

Directors' Shareholdings

At 31 October 2022 and at the date of this report, the Directors had the following shareholdings in the Company.

	Ordinary shares at the date of this report	Ordinary shares At 31 October 2022	Ordinary shares At 31 October 2021
H Green	1,800	1,800	1,800
M Bridgeman (appointed on 1 August 2022)	–	–	n/a
E de Rochechouart	142	142	–
A Gilding	1,667	1,667	n/a
S MacAulay	2,779	2,779	n/a

Board Meetings

The number of scheduled meetings of the Board and Committees for the Financial Year under review is given below, together with individual Directors' attendance at those meetings. The first number in the table is the meetings attended by the individual Director and the second number is the number of meetings that Director was eligible to attend.

	Board	Nomination Committee	Audit Committee	Management Engagement Committee	Remuneration Committee
H Green (appointed Chairman of Board 1 August 2022, and resigned from Audit Committee)	5/5	2/2	3/3	2/2	2/2
M Bridgeman (appointed to the Board and Chairman of Audit Committee on 1 August 2022)	1/1	n/a	1/1	1/1	1/1
E de Rochechouart	5/5	2/2	4/4	2/2	2/2
A Gilding (appointed on 9 November 2021)	4/4*	2/2	4/4	1/1	1/1
S MacAulay (appointed on 9 November 2021)	4/4*	2/2	4/4	1/1	1/1
W Collins (retired on 12 April 2022)	3/3	n/a	2/2	1/1	1/1
M Hadsley-Chaplin (retired on 1 August 2022)	4/4	1/1	n/a	1/1	1/1

* Attended a meeting on 9 November 2021 as an observer prior to appointment as a Director.

In addition, there were four ad hoc meetings which dealt with general administration matters. There were also two meetings held to authorise the publication of the respective interim and annual reports.

Re-election of Directors

The services of each of the Directors are provided under the terms of letters of appointment between each of them and

the Company. Each Director's appointment is for an initial three year period subject to renewal and termination upon three months' notice.

In line with corporate governance best practice, all of the Directors, apart from those stepping down, will retire and offer themselves for election or re-election at the Annual General Meeting of the Company to be held on 13 April 2023.

Corporate Governance Statement Continued

Conflicts of Interest

As required by law, a Director must avoid a situation where he or she has an interest that conflicts with the Company's interests. The Company's Articles of Incorporation provide the Directors authority to authorise potential conflicts of interest. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. The procedure observed by the Board in considering dealing with conflicted matters is as follows:

- Any Board member so conflicted must excuse themselves from the discussion involving the relevant conflict;
- Only Directors who have no interest in the matter being considered are able to debate the matter and take the relevant decision; and
- In taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success.

The Directors have declared any potential conflicts of interest to the Company. These are entered into the Company's register of potential conflicts, which is reviewed regularly by the Board. The Directors are obliged to advise the Company Secretary as soon as they become aware of any potential conflicts of interest.

Board Committees

The Company has established an Audit Committee, a Management Engagement Committee, a Nomination Committee and a Remuneration Committee. Other committees of the Board may be formed from time to time to deal with specific matters.

Audit Committee

A report on pages 42 and 43 provides details of the role, composition and meetings of the Audit Committee together with a description of the work of the Committee in discharging its responsibilities.

Mr Bridgeman is the Chairman of the Audit Committee. The Audit Committee has formal terms of reference and copies of these are available on request from the Company Secretary and on the Company's website.

Management Engagement Committee

The Company has established a Management Engagement Committee which at the Financial Year end comprised all members of the Board. The Committee meets on at least an

annual basis to consider the appointment and remuneration of the Manager. The Committee also considers the appointment and remuneration of other suppliers of services to the Company. Mr Bridgeman joined the Management Engagement Committee upon his appointment on 1 August 2022.

Mrs Green is Chairman of the Management Engagement Committee. The Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

Nomination Committee

The Company has established a Nomination Committee which at the Financial Year end comprised all members of the Board. The Committee has been established for the purpose of considering the composition of the Board as a whole and for identifying and putting forward candidates for the office of Director of the Company and meets on at least an annual basis. The Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job. Mr Bridgeman joined the Nomination Committee upon his appointment on 1 August 2022.

Ms MacAulay is Chairman of the Nomination Committee. Mrs Green recused herself as Chairman of the Nomination Committee when the Board was considering the appointment of a Chairman to succeed Mr Hadsley-Chaplin. Ms MacAulay acted as Chairman of the Committee for this process. The Nomination Committee has formal terms of reference and copies of these are available on request from the Company Secretary and on the Company's website.

Remuneration Committee

The Company has established a Remuneration Committee, which at the Financial Year end comprised all members of the Board. The Committee meets at least on an annual basis to consider the remuneration of the Directors. The Committee reviews the remuneration of the Directors and Chairman against the fees paid to the directors of other investment companies of a similar size and nature, as well as taking into account other comparable data. Mr Bridgeman joined the Remuneration Committee upon his appointment on 1 August 2022.

Ms MacAulay is the Chairman of the Remuneration Committee. The Remuneration Committee has formal terms of reference and copies of these are available on request from the Company Secretary and on the Company's website.

Performance Evaluation

A formal annual performance appraisal process is performed on the Board, the committees, and the individual Directors. The appraisal is performed internally and the Board considers that this is appropriate given the nature and size of the Company. A process consisting of open and closed end questions is used as the basis for the appraisals. The results are reviewed by the Chairman and are then discussed with the Board so that any necessary action can be considered and undertaken. A separate appraisal of the Chairman is carried out under the supervision of the Senior Independent Director and the results are reviewed and reported back to the Chairman. The results of the performance appraisal carried out in the Financial Year ended 31 October 2022 demonstrated that the structure of the Board and the diverse experience of the Directors are appropriate to meet the Company's requirements.

The Directors are aware that the Board should have an appropriate balance of skills, experience, independence and knowledge. The annual performance evaluation report covers this issue and the Board understands the requirement for this balance to be maintained.

Internal Controls

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness and has applied the Financial Reporting Council's ("FRC") guidance on internal controls. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. Through these procedures the Directors have kept under review the effectiveness of the internal control system throughout the Financial Year and up to the date of this report.

The Board uses a risk assessment matrix to consider the main risks and controls for the Company. The matrix is reviewed and updated on a frequent basis by the Board.

The Board has contractually delegated to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company.

Financial Aspects of Internal Control

The Directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but it is fully informed of the internal control framework established by the Manager, the Administrator and the UK Administration Agent to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include monthly production of management accounts and NAV calculations, monitoring of performance monthly and at regular Board meetings, review by the Directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and of both from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, the Board keeps under its own direct control all material payments out of the Company other than for investment purposes.

The Statement of Directors' Responsibilities in respect of the financial statements is on page 46 and a statement of going concern is on page 28. The Independent Auditor's Report is on pages 49 to 52.

Other Aspects of Internal Control

The Board holds at least four regular meetings each year, plus ad hoc meetings and committee meetings as required. Between these meetings there is regular contact with the Manager, the Administrator, the UK Administration Agent and the external Auditor.

Corporate Governance Statement Continued

The Company Secretary reports in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary.

Directors receive and consider monthly reports from the UK Administration Agent, giving full details of all holdings in the portfolio and of all transactions and of all aspects of the financial position of the Company. The Administrator and UK Administration Agent report separately in writing to the Board concerning risks and internal control matters within the scope of their services, including internal financial control procedures and secretarial matters. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

The contracts with the Manager, Administrator, UK Administration Agent and the external Auditor enable the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. These matters are assessed on an ongoing basis through the year.

There are no significant findings to report from the review of internal controls during the Financial Year.

Principal Risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed are set out in the Directors' Report.

Shareholder Relations

The Board welcomes feedback from the Company's shareholders. The Board receives shareholder feedback directly and via the Company's Manager and Brokers through their programme of meetings with shareholders.

All Directors are available to shareholders if they have concerns over issues they feel have not been dealt with through the normal mode of communication with the Chairman.

The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

Exercise of Voting Powers

The Company is committed to exercise diligently its rights as a shareholder and usually votes on relevant decisions of its holdings. In making a voting decision all relevant factors are taken into account, including the performance of the investee company, its corporate governance where this bears meaningfully upon the responsiveness of its management to shareholders' needs and the readiness of its management to address any areas where improvements might be expected to strengthen its share price or otherwise create real benefit for shareholders.

UK Stewardship Code and Proxy Voting as an Institutional Shareholder

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager and in turn to the Investment Manager.

Further information on stewardship and ESG matters may be found on the Company's website (www.abrdnchina.co.uk).

Environmental, Social and Corporate Governance ("ESG") Policy

The Company is a closed end investment company and therefore has no staff, premises, manufacturing or other operations. However, as set out in the Company's Investment Policy, the Company expects to have an ESG rating equal to, or better than, the MSCI China All Shares Index and have meaningfully lower carbon intensity than the Index. The Investment Manager ensures ESG considerations are key to and fully integrated into the investment process. The Investment Manager places constructive engagement and ESG risk considerations at the heart of all investment research, ensuring that it is a responsible steward of its clients' assets.

The Investment Manager pursues a constructive approach to encourage improvements to the benefit of all shareholders. To reinforce its messages, the team votes at all shareholder meetings.

Promoting the Success of the Company

This section of the Annual Report covers the Board's considerations and activities in discharging its duties in promoting the success of the Company for the benefit of its members as a whole.

This statement includes consideration of the likely consequences of the decisions of the Board in the longer term, how the Board has taken wider stakeholders' needs into account and the impact of the Company's operations on the environment.

The most significant consideration by the Board during the Financial Year was in relation to the Scheme of Reconstruction and change of investment mandate, both of which are explained in more detail within the Chairman's Statement contained within the Annual Report for the Financial Year ended 31 October 2022.

The Board, together with the Investment Manager, sets an overall investment strategy and reviews this on an ongoing basis. In order to ensure strong governance of the Company, the Board has implemented an investment policy which includes various limits on the size of individual holdings, investments in derivatives and the level of gearing. These limits and guidelines are regularly monitored.

The Board is ultimately responsible for all stakeholder engagement. As an externally managed investment company, the Company does not have any employees; rather it employs external suppliers to fulfil a range of functions, including investment management, secretarial, administration, promotional activities, corporate brokering, depositary and banking services. All these service providers, which are stakeholders in the Company themselves, help the Board to fulfil its responsibility to engage with the shareholders and other stakeholders.

The Board has identified the major stakeholders in the Company's business. On an ongoing basis the Board monitors both potential and actual impacts of the decisions it makes in respect of the Company upon those major stakeholders identified.

Promoting the Success of the Company Continued

Shareholders	<p>The Board's principal concern is the interests of the Company's shareholders and potential investors. As a public company listed on the London Stock Exchange, the Company is subject to the FCA's Listing Rules and Disclosure Guidance and Transparency Rules. The Listing Rules include a listing principle that a listed company must ensure that it treats all shareholders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. With the assistance of regular discussions with and the formal advice of the Company's legal counsel, secretary and corporate brokers; the Board abides by the Listing Rules at all times.</p> <p>The Company's investment objective is to produce long-term capital growth by investing predominantly in Chinese equities. The portfolio will normally consist principally of quoted equity securities and depositary receipts although unlisted companies, fixed interest holdings or other non-equity investments may be held. The portfolio is actively managed and may be invested in companies of any size and in any sector. The Investment Manager believes this is an attractive profile in the circumstances and one that should hold broad appeal.</p> <p>The Board maintains an open dialogue between shareholders, the Manager and other service providers. The Manager along with the Company's corporate brokers regularly meet with the Company's shareholders to provide Company updates and to foster dialogue. Feedback from meetings between the Manager and shareholders is communicated to the Board. The Chairman and other members of the Board are available to support these meetings and to address shareholder questions and consult major shareholders at least on an annual basis.</p> <p>The Board encourages shareholders to attend and participate in the Company's AGM at which the Investment Manager will provide a presentation on the Company's performance during the Financial Year and outlook for the future. The Company values any feedback and questions it may receive from shareholders ahead of and during the AGM.</p> <p>The Company's Annual and Half Yearly Reports are made available on the Company's website and also circulated to shareholders, providing an in-depth review of the Company's financial position and portfolio. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet and portfolio data, which are announced via a Regulatory Information Service and are also available on the Company's website.</p> <p>In addition, the Board oversees the maintenance and integrity of the corporate and financial information included on the Company's website. The Company has engaged abrdn Fund Managers Limited ("AFML") for the provision of promotional activities to ensure that information and news about the Company is regularly available for existing and potential shareholders.</p> <p>For more information on shareholder engagement please see the Corporate Governance section of this report which contains further information on shareholder engagement.</p> <p>At the AGM held by the Company on 12 April 2022, shareholder proxies representing 7.01% and 6.67% of the issued capital voted against the re-election of Mrs Green and Ms MacAulay respectively. The Board notes the reasons why the shares were voted in this way, but supports the democratic process which saw substantial support from shareholders.</p>
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Manager / Investment Manager	<p>The most significant service provider for the Company's long-term success is AFML, which has been appointed as the Company's AIFM in accordance with the Alternative Investment Fund Managers Directive (AIFMD), for the purpose of providing investment advisory services to the Company. The portfolio is managed by abrdn Hong Kong Limited which is responsible for the management of the Company's portfolio in accordance with the Company's investment policy and the terms of the Management Agreement.</p> <p>The Board monitors the Company's investment performance in relation to its objectives, investment policy and strategy. The Board regularly assesses the experience and resources of the investment management team and the commitment of the Manager; to promote the Company and foster shareholder relations and to ensure that the Company's objective is met. The Board receives and reviews regular reports and presentations from the Manager. An open and active relationship is maintained with the Investment Manager at Board meetings and additional meetings when needed.</p>
Suppliers	<p>As an externally managed investment company, the Company conducts all its business through its key service providers. On an annual basis, the Board reviews the continuing appointment of each service provider to ensure re-appointment is in the best interests of the Company's shareholders. Separately, the Auditor is invited to attend the Audit Committee meeting at least twice per year. The Audit Committee Chair maintains regular contact with the Audit partner to ensure the audit process is undertaken effectively. During the Financial Year under review, the Board sought and received reassurance that all key service providers had appropriate business continuity plans in place. All key service providers have maintained a high standard of service and demonstrated operational resilience whilst working remotely during the restrictions caused by the Covid-19 pandemic. Further detail of the Company's key service providers can be found on page 65 of this Report.</p>
Lenders	<p>The Company may employ gearing and may in aggregate, borrow amounts equalling up to 20% of gross asset value, although the Board expects that borrowings will typically not exceed 15% of gross asset value at the time of drawdown.</p> <p>On 13 April 2022, the Company signed an agreement with the Industrial and Commercial Bank of China (ICBC) for a new two year revolving credit facility. The facility provides the Company with £15 million of borrowings, along with a £15 million flexible loan, drawable in Sterling or Chinese Yuan.</p>
Regulators	<p>The Company and its appointed professional suppliers keep abreast of the rules, regulations and guidance affecting the listed investment company sector. The Board, Company Secretary and AIFM are responsible for ensuring that various regulatory and statutory obligations are met. During the Financial Year under review, the Board considered emergency legislation brought in to help companies engage effectively with shareholders during periods of Covid-19 restrictions. These included the ability to conduct virtual AGMs and extended deadlines for the publication of accounts.</p>
Wider community and the Environment	<p>Under its new investment objective, the Company seeks to have an ESG rating equal to, or better than, the MSCI China All Shares Index and have meaningfully lower carbon intensity than the Index. The Investment Manager places constructive engagement and ESG risk considerations at the heart of all investment research, ensuring that it is a responsible steward of its clients' assets. The Investment Manager believes this approach can mitigate risks and actively enhance returns for shareholders over the longer term.</p>

In summary, the Directors are cognisant of their duties to make decisions taking into account the long-term consequences of all the Company's key stakeholders and reflect the Board's belief that the long-term sustainable success of the Company is linked directly to its key stakeholders.

For and on behalf of the Board

Helen Green

Director

13 February 2023

Report of the Audit Committee

Role, Composition and Meetings

The Board has established an Audit Committee, which at the Financial Year end comprised all members of the Board other than Mrs Green. As Chairman of the Board, Mrs Green is not a member of the Audit Committee but may attend the Audit Committee Meetings from time to time as an observer. Mr Bridgeman, who has recent and relevant financial experience was appointed as Chairman of the Audit Committee upon his appointment to the Board on 1 August 2022. Mrs Green chaired the Audit Committee until that date. As a minimum, the Audit Committee meets on a bi-annual basis and its main functions include, inter alia, reviewing and monitoring internal financial control systems and risk management systems on which the Company is reliant, considering annual and interim financial statements and reports from the auditor, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditor and monitoring and reviewing annually the auditor's independence, objectivity, effectiveness and qualifications and, where relevant, compliance with corporate governance changes. The Committee is responsible for the development and implementation of a policy on the supply of any non-audit services provided by the auditor. The Board has also requested that the Audit Committee advise it on whether it believes that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Audit Committee as a whole has competence relevant to the investment company sector.

During the Financial Year ended 31 October 2022, there were three meetings of the Audit Committee. The Company's external auditor also attends the meetings at the Committee's request and reports on its work procedures and its findings in relation to the Company's statutory audit. The Company's external auditor attended all of the Audit Committee meetings during the Financial Year ended 31 October 2022.

Financial Statements and Significant Accounting Matters

The Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the Financial Year ended 31 October 2022.

Valuation of Investments

The Company, as an investment company, invests virtually all of its assets into Chinese equities. As at 31 October 2022, investments represented 96.6% of its net assets.

The valuation of investments is therefore the most significant factor in relation to the accuracy of the financial statements. The portfolio consists of investments in predominantly in quoted companies. The estimates, assumptions and judgements required to be made by management in determining the valuation of investments and method of accounting are described in more detail in notes 3(a) and 18 to the financial statements.

The Audit Committee reviewed the portfolio valuation as at 31 October 2022. The Audit Committee obtained confirmation from the Administrator, UK Administration Agent and the Manager that the Company's accounting policies on valuation of investments had been followed. The Audit Committee made enquiries of the Administrator, UK Administration Agent and the Manager with regards to the procedures that are in place to ensure that the portfolio is valued correctly.

The Audit Committee agreed the approach to the audit of the valuation of investments with the external auditor prior to the commencement of the audit. The results of the audit in this area were reported by the external auditor and there were no significant disagreements between management and the external auditor's conclusions.

Effectiveness of External Audit

The Audit Committee reviews the effectiveness of the Company's external audit. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. The factors considered by the Audit Committee included the external auditor's resources, independence, the performance of the team employed to conduct the audit, audit planning, communication and scope of the audit.

Audit Tenure

KPMG Channel Islands Limited ("KPMG") has been the Company's external auditor since 2009 and the audit of the Company's accounts for the Financial Year ended 31 October 2022 will be the 13th year that KPMG has acted as auditor. Following professional guidelines, the audit partner rotates after five years. The current audit partner is in his 2nd year of appointment. The Company is committed to the highest standards of corporate governance and, in accordance with best practice for premium-segment listed companies, in 2019 the Audit Committee decided to put the audit out to tender. The Audit Committee identified three suitably experienced audit firms, including KPMG. The three firms were asked to provide detailed written proposals to the Audit Committee and two of the firms were then interviewed by the Committee. Following the interviews, and having given full consideration to the proposed fees, auditor independence and quality of the audit teams, the Audit Committee concluded that it would be in the best interests of the Company for KPMG to be re-appointed as auditor.

The Audit Committee has agreed that the re-appointment of KPMG as auditor should be recommended to the Board and put to shareholders for approval at the AGM.

Provision of Non-Audit Services

The Audit Committee has put a policy in place for the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent. During the Financial Year ended 31 October 2022 there were no non-audit services provided, other than interim review and reporting on the Company's half year financial statements. The fee payable to the Auditor for this additional service amounted to £17,100 (2021: £16,560).

Mark Bridgeman

Audit Committee Chairman
13 February 2023

Directors' Remuneration Report

This Directors' Remuneration Report has been prepared on a voluntary basis in accordance with UK regulations governing the disclosure and approval of Directors' remuneration, and comprises three parts:

1. a Remuneration Policy which the Board has decided will be subject to a binding shareholder vote every three years (or sooner if varied during this interval). At the AGM held on 21 April 2020, a resolution to approve the Directors' Remuneration Policy covering the three year period to 31 October 2022 was passed.
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
3. an Annual Statement.

A Remuneration Committee has been formed which comprises Mrs Green, Mr Bridgeman, Ms de Rochechouart, Ms Gilding and Ms MacAulay. The Directors' Remuneration Policy and level of Directors' Remuneration are determined by the Remuneration Committee.

Remuneration Policy

The Board's policy is that the remuneration of non-executive Directors should be fair and should reflect the experience, work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive Directors' fees are determined within the limits set out in the Company's Articles of Incorporation and Directors are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits.

As a part of the Board's succession plan, a resolution put to shareholders at the AGM on 12 April 2022 was passed seeking approval to increase the maximum amount payable in aggregate to the Directors to £250,000 per annum. The Company's Articles of Incorporation had previously limited the maximum amount payable in aggregate to the Directors to £200,000 per annum.

No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the Financial Year ended 31 October 2022.

No shareholder views have been sought in setting the Remuneration Policy although any comments received from shareholders are considered.

Directors' Service Contracts

The Directors do not have service contracts. The Directors have appointment letters subject to termination upon three months' notice. The Directors are subject to re-election by shareholders.

There were no changes to the Directors' Remuneration Policy during the Financial Year nor are there any proposals for changes in the foreseeable future. The Remuneration Policy is reviewed by the Remuneration Committee on an annual basis and it is the Committee's intention that this Remuneration Policy will apply for the three year period ending 31 October 2025. A resolution to approve the Directors' Remuneration Policy covering the three year period to 31 October 2025 will be proposed at the forthcoming AGM.

Implementation Report

Directors' Emoluments for the Financial Year

Fees payable with effect from 1 July 2018 have been at a rate of £38,000 per annum for the Chairman, £33,000 per annum for the Audit Committee Chairman and £28,000 per annum for the other Directors. During the Financial Year, the Remuneration Committee agreed to increase the fees payable to the Directors with effect from 12 April 2022 at a rate of £45,000 for the Chairman, £37,000 per annum for the Audit Committee Chairman and £32,000 per annum for the other Directors.

During the Financial Year ended 31 October 2022, there were no additional fees paid to the Directors. All fees are at a fixed rate and there is no variable remuneration.

The following emoluments in the form of fees were payable in the Financial Year ended 31 October 2022 to the Directors who served during the year:

	Fees 2022 £'000	Fees 2021 £'000
H Green (Chair)	37.2	33.0
M Bridgeman (appointed on 1 August 2022)	9.3	–
J Hawkins (Retired on 20 April 2021)	–	13.2
W Collins (Retired on 12 April 2022)	12.5	28.0
E de Rochechouart	30.2	28.0
A Gilding (appointed on 9 November 2021)	29.6	n/a
S MacAulay (appointed on 9 November 2021)	29.6	n/a
M Hadsley-Chaplin (Retired on 31 July 2022)	30.6	38.0
Total	179.0	140.2

Statement of Voting at the AGM

At the Company's last AGM, held on 12 April 2022, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 October 2021. 99.99% of proxy votes were in favour of the resolution and 0.01% of proxy votes were against.

At the Company's AGM held on 21 April 2020, shareholders approved the Directors' Remuneration Policy in respect of the three years ending 31 October 2022. 99.9% of proxy votes were in favour of the resolution and 0.1% of proxy votes were against.

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the Financial Year ended 31 October 2022 will be proposed at the AGM on 13 April 2023.

Spend on Pay

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

Annual Statement

The Board confirms that the above Directors' Remuneration Report summarises, as applicable, for the Financial Year ended 31 October 2022:

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

Sarah MacAulay

Remuneration Committee Chairman
13 February 2023

Statement of Directors' Responsibilities

In Respect of the Annual Report and Accounts

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

Guernsey company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the IASB and applicable law.

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

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Disclosure of Information to the Auditor

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

Responsibility Statement of the Directors in Respect of the Annual Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Management Report (comprising the Chairman's Statement, the Investment Manager's Report and the Governance reports including the Directors' 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 it faces.

The Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Helen Green
Chairman

13 February 2023

Depositary Report

Northern Trust (Guernsey) Limited (the "Depositary") has been appointed to provide depositary services to abrdrn China Investment Company Limited (the "Company") (formerly Aberdeen Emerging Markets Investment Company Limited) with effect from 1 August 2014 in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (the "AIFM Directive").

We have enquired into the conduct of abrdrn Fund Managers Limited (the "AIFM"), for the Financial Year ended 31 October 2022, in our capacity as Depositary to the Company.

This report including the review provided below has been prepared for and solely for the shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 collectively (the "AIFMD legislation").

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the constitutional documents, the scheme particulars and the AIFMD legislation. It is the overall responsibility of the AIFM to comply with these provisions. If the AIFM or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates are or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of shareholders.

Basis of Depositary review

The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Company, the assets in which a Company invests and the processes used, or experts required, in order to value such assets.

Review

In our view, the Company has been managed during the Financial Year, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document; and by the AIFMD legislation; and
- (ii) otherwise in accordance with the provisions of the constitutional document and the AIFMD legislation.

For and on behalf of
Northern Trust (Guernsey) Limited
 13 February 2023

Financial Statements

Net assets per Ordinary share decreased by 37.0% to 512.0p, while the revenue profit was 4.0p per Ordinary share as compared to a loss of 0.61p per Ordinary share in 2021.

Independent Auditor's Report

Independent Auditor's Report to the Members of abrln China Investment Company Limited

Our opinion is unmodified

We have audited the financial statements of abrln China Investment Company Limited (the "Company"), which comprise the Statement of Financial Position as at 31 October 2022, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 October 2022, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the Crown Dependencies' Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2021):

	The risk	Our response
Valuation of Investments (Investments at fair value through profit or loss) £224,064,000; (2021: £112,905,000)	<p>Basis: As at 31 October 2022 the Company had invested in quoted equities and unlisted funds (together, the "Investments") which represented a significant amount of net assets.</p>	<p>Our audit procedures included:</p> <p>Internal Controls: Assessing the design and implementation of the control over the valuation of Investments.</p> <p>Challenging managements' assumptions and inputs including use of KPMG Specialists: Our valuation specialist independently priced Investments with a value of £222,746,000 to a third party pricing source.</p> <p>For holdings in unlisted funds with a value of £1,318,000, we:</p> <ul style="list-style-type: none"> · considered the valuation technique applied for appropriateness · confirmed the net asset value directly with the underlying funds' administrators or investment managers · obtained the latest audited financial statements of the underlying funds in order to consider: the nature of the Investments held by the underlying funds; the financial reporting standards applied in the preparation of the underlying funds' financial statements; any modifications to audit reports; and any other disclosures that may be relevant to their valuation
Refer to page 42 of the Audit Committee, notes 2(g), 3(a) accounting policies and note 18 disclosures	<p>The Company's listed or quoted Investments, which represents 96% of net assets, are valued based on prices obtained from third party pricing providers.</p> <p>The Company's holdings in unlisted funds, which represents 1% of net assets and are not quoted or traded on a recognised stock exchange or other trading facility are valued at the net asset values provided by the underlying funds' administrators.</p> <p>Risk: The valuation of the Company's Investments, given that it represents a significant amount of the Company's net assets, is a significant area of our audit, with those which are unlisted being subject to estimation risk.</p>	<p>Assessing disclosures: We also considered the Company's disclosures (see note 2(g)) in relation to the use of estimates and judgments regarding the valuation of Investments and the Company's investment valuation policies adopted in note 3(a) and fair value disclosures in note 18 in compliance with IFRS.</p>

Independent Auditor's Report Continued

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

Materiality for the financial statements as a whole was set at £4,636,000, determined with reference to a benchmark of net assets of £231,843,000, of which it represents approximately 2.0% (2021: 2.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £3,477,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £231,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to affect the Company's financial resources or ability to continue operations over this period was:

- Availability of capital to meet operating costs and other financial commitments

We considered whether this risk could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from this risk against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2(b) to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement in the notes to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and that statement is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily

verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed

non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

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

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

Disclosures of emerging and principal risks and longer term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. We have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement (page 28 and 29) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the Viability Statement (page 28 and 29) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its

Independent Auditor's Report Continued

liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 28 and 29 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

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

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 46, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew J. Salisbury

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

13 February 2023

Statement of Comprehensive Income

		Year ended 31 October 2022			Year ended 31 October 2021		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value through profit or loss	4	-	(143,283)	(143,283)	-	64,051	64,051
Transaction costs	8	-	832	832	-	387	387
Losses on currency movements		-	(354)	(354)	-	-	-
Net investment (losses)/gains		-	(142,805)	(142,805)	-	64,438	64,438
Investment income	5	4,108	-	4,108	3,667	-	3,667
Investment management fees	6	(1,020)	-	(1,020)	(2,753)	-	(2,753)
Other expenses	6	(913)	-	(913)	(882)	-	(882)
Operating (loss)/profit before finance costs and taxation		2,175	(142,805)	(140,630)	32	64,438	64,470
Finance costs	9	(109)	-	(109)	(176)	-	(176)
Operating (loss)/profit before taxation		2,066	(142,805)	(140,739)	(144)	64,438	64,294
Withholding tax expense		(215)	-	(215)	(138)	-	(138)
Total (loss)/profit and comprehensive income for the year		1,851	(142,805)	(140,954)	(282)	64,438	64,156
Basic earnings and diluted earnings per Ordinary share	10	4.00p	(308.70p)	(304.70p)	(0.61p)	140.19p	139.58p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared under IFRS. The revenue and capital columns, including the revenue and capital earnings per Ordinary share data, are supplementary information prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

The notes on pages 57 to 77 form part of these financial statements.

Statement of Financial Position

	Note	As at 31 October 2022 £'000	As at 31 October 2021 £'000
Non-current assets			
Investments at fair value through profit or loss	4	224,064	112,905
Current assets			
Cash and bank		8,534	201,795
Sales for future settlement		–	59,838
Other receivables		56	119
		8,590	261,752
Total assets		232,654	374,657
Current liabilities			
Purchases for future settlement		(222)	–
Other payables		(564)	(835)
Finance costs payable	9	(25)	(34)
Total liabilities		(811)	(869)
Net assets		231,843	373,788
Equity			
Share capital	12	147,744	148,735
Capital reserve	13	87,739	230,544
Revenue reserve		(3,640)	(5,491)
Total equity		231,843	373,788
Net assets per Ordinary share	14	511.98p	813.20p

Approved by the Board of Directors and authorised for issue on 13 February 2023 and signed on its behalf by:

Helen Green
Director

Mark Bridgeman
Director

The notes on pages 57 to 77 form part of these financial statements.

Incorporated in Guernsey: Company registration number 50900

Statement of Changes in Equity

For the year ended 31 October 2022

	Note	Share capital £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 November 2021		148,735	230,544	(5,491)	373,788
Loss for the year		–	(142,805)	1,851	(140,954)
Scheme of reconstruction:					
Ordinary shares issued		62,037	–	–	62,037
Ordinary shares repurchased		(55,291)	–	–	(55,291)
Tender offer and share issue costs	12	(177)	–	–	(177)
Share buybacks	12	(7,560)	–	–	(7,560)
Balance at 31 October 2022		147,744	87,739	(3,640)	231,843

For the year ended 31 October 2021

	Note	Share capital £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 November 2020		149,616	176,563	(5,209)	320,970
Profit for the year		–	64,438	(282)	64,156
Dividends paid	11	–	(10,457)	–	(10,457)
Tender offer and share issue costs (Scheme of Reconstruction)	12	(881)	–	–	(881)
Balance at 31 October 2021		148,735	230,544	(5,491)	373,788

The capital reserve at 31 October 2022 is split between realised gains of £207,445,000 and unrealised losses of £119,706,000 (2021: realised gains of £183,241,000 and unrealised gains of £47,303,000).

The revenue reserve and realised element of the capital reserve represents the amount of the Company's retained reserves.

The notes on pages 57 to 77 form part of these financial statements.

Statement of Cash Flows

		Year ended 31 October 2022 £'000	Year ended 31 October 2021 £'000
	Note		
Operating activities			
Cash inflow from investment income		4,187	3,885
Cash outflow from management expenses		(2,009)	(4,093)
Cash inflow from disposal of investments ¹		311,504	401,220
Cash outflow from purchase of investments ¹		(446,496)	(183,626)
Cash outflow from withholding tax		(215)	(138)
Net cash flow (used in)/from operating activities	15	(133,029)	217,248
Financing activities			
Repayment of bank borrowings	9	–	(25,000)
Proceeds from bank borrowings	9	–	12,500
Borrowing commitment fee and interest charges	9	(118)	(142)
Dividends paid	11	–	(10,457)
Scheme of reconstruction ²			
Ordinary shares issued		3,257	–
Ordinary shares repurchased		(55,291)	–
Tender offer and share issue costs paid		(388)	(669)
Share buybacks	20	(7,338)	–
Net cash flow used in financing activities		(59,878)	(23,768)
Net (decrease) / increase in cash and cash equivalents		(192,907)	193,480
Effect of foreign exchange		(354)	–
Cash and cash equivalents at start of the year		201,795	8,315
Cash and cash equivalents at end of the year		8,534	201,795

¹ Cash flows from the disposal and purchase of investments have been classified as components of cash flow from operating activities because they form part of the Company's operating activities.

² Actual proceeds received as a result of the Scheme of reconstruction on 9 November 2021 amounted to £3,257,000 with the remainder being received in the form of a UK treasury bill amounting to £57,980,000. The UK treasury bill was immediately sold on 10 November 2021 and subsequently deployed into Chinese equities.

The notes on pages 57 to 77 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 October 2022

1. Reporting entity

abrdn China Investment Company Limited (the “Company”) is a closed-ended investment company, registered in Guernsey on 16 September 2009. The Company’s registered office is 11 New Street, St Peter Port, Guernsey, GY1 2PF. The Company’s Ordinary shares have a premium listing on the London Stock Exchange and commenced trading on 10 November 2009. The Company changed its name to abrdn China Investment Company Limited on 26 October 2021 (formerly Aberdeen Emerging Markets Investment Company Limited). The financial statements of the Company are presented for the year ended 31 October 2022.

The Company invests in companies listed, incorporated or domiciled in the People’s Republic of China (“China”), or companies that derive a significant proportion of their revenues or profits from China operations or have a significant proportion of their assets there. Prior to the combination with Aberdeen New Thai Investment Trust PLC on 26 October 2021, the Company was managed in accordance with its previous investment objective, which was to achieve consistent returns for shareholders in excess of the MSCI Emerging Markets Net Total Return Index in sterling terms. In furtherance of the new investment policy, the portfolio will normally consist principally of quoted equity securities and depositary receipts although unlisted companies, fixed interest holdings or other non-equity investments may be held. Investments in unquoted companies will be made where the Manager has a reasonable expectation that the company will seek a listing in the near future. The portfolio is actively managed and may be invested in companies of any size and in any sector.

Manager

The investment activities of the Company were managed by abrdn Fund Managers Limited (“AFML”) during the year ended 31 October 2022.

Non-mainstream pooled investments (“NMPIs”)

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the Financial Conduct Authority’s rules in relation to NMPIs and intends to continue to do so for the foreseeable future.

2. Basis of preparation

(a) Statement of compliance

The financial statements, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB and are in compliance with the Companies (Guernsey) Law, 2008. There were no significant changes in the accounting policies of the Company in the year to 31 October 2022.

Where presentational guidance set out in the Statement of Recommended Practice (“SORP”) for Investment Companies issued by the Association of Investment Companies (“AIC”) in July 2022 is consistent with the requirements of IFRS, the Directors have prepared the financial statements on a basis compliant with the recommendations of the SORP.

The “Total” column of the Statement of Comprehensive Income is the profit or loss account of the Company. The “Capital” and “Revenue” columns provide supplementary information prepared under guidance published by the AIC.

The financial statements were approved and authorised for issue by the Board on 13 February 2023.

This report will be sent to shareholders and copies will be made available to the public at the Company’s registered office. It will also be made available on the Company’s website: abrdnchina.co.uk.

(b) Going concern

The Directors have adopted the going concern basis in preparing the financial statements. The Board formally considered the Company’s going concern status at the time of the publication of these financial statements and a summary of the assessment is provided below.

Since the adoption of the new investment policy, as approved by shareholders at the EGM held on 26 October 2021, the Board considered it appropriate to reset the five year interval between Continuation Resolutions so that the next Continuation Resolution will be put to shareholders at the Annual General Meeting of the Company to be held in 2027.

Notes to the Financial Statements Continued

The Directors believe that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows.

As at 31 October 2022, the Company held £8.5 million in cash and £224.1 million in investments. It is estimated that approximately 99% of the investments held at the year end could be realised in one month. The total operating expenses for the year ended were £1.9 million, which on an annualised basis represented approximately 0.60% of average net assets during the year. The Company also incurred £0.1 million of finance costs. At the date of approval of this report, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 9 February 2023 were £311.0 million.

The Company has a £15 million revolving loan facility with Industrial and Commercial Bank of China limited, London Branch ('ICBC'), terminating in April 2024. As at 31 October 2022, none of the ICBC facility was drawn down. The liquidity of the Company's portfolio, as mentioned above, sufficiently supports the Company's ability to repay its borrowings at short notice. Since the Financial Year ended the Investment Manager has drawn down a total of CNH 106m (£12.7m) in two tranches.

In light of the Covid-19 pandemic, the Directors have fully considered and assessed the Company's portfolio of investments. A prolonged and deep market decline could lead to falling values of the investments or interruptions to cashflow. However, the Company currently has more than sufficient liquidity available to meet any future obligations.

The Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements and, after due consideration, that the Company is able to continue in operation for a period of at least 12 months from the date of approval of these financial statements.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments held at fair value through profit or loss which are measured at fair value.

(d) Functional and presentation currency

The Company's investments are largely exposed to Chinese markets. However, the Company's Ordinary shares are issued in GBP sterling and the majority of its investors are UK based. The vast majority of service providers are also denominated in sterling. Therefore, the financial statements are presented in sterling, which is the Company's functional currency. All financial information presented in sterling has been rounded to the nearest thousand pounds.

(e) Capital reserve

Profits achieved by selling investments and changes in fair value arising upon the revaluation of investments that remain in the portfolio are all charged to profit or loss in the capital column of the Statement of Comprehensive Income and allocated to the capital reserve. The capital reserve attributable to realised profits is also used to fund dividend distributions.

(f) Revenue reserve

The balance of all items allocated to the revenue column of the Statement of Comprehensive Income in each year is transferred to the Company's revenue reserve. The revenue reserve is also used to fund dividend distributions.

(g) Use of estimates, assumptions and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Use of estimates and assumptions

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below.

Classification and valuation of investments

Investments are designated as fair value through profit or loss on initial recognition and are subsequently measured at fair value. The valuation of such investments requires estimates and assumptions made by the management of the Company depending on the nature of the investments as described in notes 3 (a) and 18 and fair value may not represent actual realisable value for those investments.

Allocation of investments to fair value hierarchy

IFRS requires the Company to measure fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under IFRS are as follows:

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 asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Use of judgements

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

3. Significant accounting policies

(a) Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as fair value through profit or loss on initial recognition. These investments are recognised on the trade date of their acquisition at which the Company becomes a party to the contractual provisions of the instrument. At this time, the best evidence of the fair value of the financial assets is the transaction price. Transaction costs that are directly attributable to the acquisition or issue of the financial assets are charged to profit or loss in the Statement of Comprehensive Income as a capital item. Subsequent to initial recognition, investments designated as fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss in the Statement of Comprehensive Income and determined by reference to:

- i) investments quoted or dealt on recognised stock exchanges in an active market are valued by reference to their market bid prices;
- ii) investments other than those in i) above which are dealt on a trading facility in an active market are valued by reference to broker bid price quotations, if available, for those investments;
- iii) investments in underlying funds, which are not quoted or dealt on a recognised stock exchange or other trading facility or in an active market, are valued at the net asset values provided by such entities or their administrators. These values may be unaudited or may themselves be estimates and may not be produced in a timely manner. If such

Notes to the Financial Statements Continued

information is not provided, or is insufficiently timely, the Investment Manager uses appropriate valuation techniques to estimate the value of investments. In determining fair value of such investments, the Investment Manager takes into consideration the relevant issues, which may include the impact of suspension, redemptions, liquidation proceedings and other significant factors. Any such valuations are assessed and approved by the Directors. The estimates may differ from actual realisable values;

iv) investments which are in liquidation are valued at the estimate of their remaining realisable value; and

v) any other investments are valued at the directors' best estimate of fair value.

Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

Investments are derecognised on the trade date of their disposal, which is the point where the Company transfers substantially all the risks and rewards of the ownership of the financial asset. Gains or losses are recognised in profit or loss in the capital column of the Statement of Comprehensive Income. The Company uses the weighted average cost method to determine realised gains and losses on disposal of investments.

(b) Foreign currency

Transactions in foreign currencies are translated into sterling at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into sterling at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are retranslated into sterling at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into sterling using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss and, depending on the nature of the gain or loss, are allocated to the revenue or capital column of the Statement of Comprehensive Income. Foreign currency differences on retranslation of financial instruments designated as fair value through profit or loss are shown in the "Losses on currency movements" line.

(c) Income from investments

Dividend income is recognised when the right to receive it is established and is reflected in the Statement of Comprehensive Income as Investment income in the revenue column. For quoted equity securities this is usually on the basis of ex-dividend dates. For unquoted investments this is usually on the entitlement date confirmed by the relevant holding. Income from bonds is accounted for using the effective interest rate method.

Special dividends and distributions described as capital distributions are assessed on their individual merits and may be credited to the capital reserve if considered to be closely linked to reconstructions of the investee company or other capital transactions. Bank interest receivable is accounted for on a time apportionment basis and is based on the prevailing variable interest rates for the Company's bank accounts.

(d) Treasury shares

Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, is recognised as a deduction from equity shareholders' funds through the Company's reserves. When such shares are subsequently sold or re-issued to the market any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in equity shareholders' funds through the share capital account. Shares held in treasury are excluded from calculations when determining NAV per share.

(e) Cash and cash equivalents

Cash comprises cash and demand deposits. Cash equivalents, which include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(f) Investment management fees and finance costs

Investment management fees and finance costs are charged to the Statement of Comprehensive Income as a revenue item and are accrued monthly in arrears. Finance costs include interest payable and direct loan costs. Performance-related fees, if any, are payable directly by reference to the capital performance of the Company and are therefore charged to profit or loss in the Statement of Comprehensive Income as a capital item.

(g) Financial liabilities

Financial liabilities (including bank loans) are classified according to the substance of the contractual arrangements entered into. Financial liabilities held at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in profit or loss in the Statement of Comprehensive Income.

(h) Taxation

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains. The Company has successfully applied and has been granted approval as an Investment Trust by HMRC.

Dividend and interest income received by the Company may be subject to withholding tax imposed in the country of origin. The tax charges shown in profit or loss in the Statement of Comprehensive Income relate to overseas withholding tax on dividend income.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

(i) Operating segments

IFRS 8, 'Operating segments' requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The Board has considered the requirements of the standard and is of the view that the Company is engaged in a single segment of business, which is investing in a portfolio of companies which give exposure to the Chinese market. The key measure of performance used by the Board is the NAV of the Company (which is calculated under IFRS). Therefore, no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

Further information on the Company's operating segment is provided in note 19.

(j) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognised amounts and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are only presented on a net basis when permitted under IFRS.

(k) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Company holds shares, units or partnership interests in the funds or investment products presented in the Company's portfolio. The Company does not consider its investments in listed funds to be structured entities but does consider its investments in unlisted funds to be investments in structured entities because the voting rights in such entities are limited to administrative tasks and are not the dominant factor in deciding who controls those entities.

Notes to the Financial Statements Continued

Changes in fair value of investments, including structured entities, are included in profit or loss in the Statement of Comprehensive Income.

(l) Dividend payable

Final dividends payable to equity shareholders are recognised in the financial statements when they have been approved by shareholders and become a liability of the Company. Interim dividends payable are recognised in the period in which they are paid. The capital and revenue reserve may be used to fund dividend distributions.

(m) New standards, interpretations and/or amendments relevant to the Company

Effective in the current financial year

A number of new standards, amendments to standards are effective for the annual periods beginning after 1 January 2021.

None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company. The Company intends to adopt the standards and interpretations in the reporting period when they become effective and the Board does not anticipate that the adoption of these standards and interpretations in future periods will materially impact the Company's financial results in the period of initial application although there may be revised presentations to the financial statements and additional disclosures.

Interest Rate Benchmark Reform—Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. - The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate

Not yet in effect

There are a number of new standards, interpretations, and/or amendments, which did not become effective during the financial year under review.

At the date of approval of these financial statements, the following standards and interpretations were amended during the year:

- IAS 1 and IFRS 2 – Disclosure of Accounting policies (effective 1 January 2023).
- IAS 8 – Definition of Accounting Estimates (effective 1 January 2023).

The Board have assessed new but not yet effective standards applicable to the Company and have concluded that they will not have a material impact to the Company.

4. Investments at fair value through profit or loss and classification of financial instruments

	2022 £'000	2021 £'000
Quoted and listed closed end fund investments	222,745	39,890
Open ended fund and limited liability partnership investments	1,319	73,015
Total fair value investments at 31 October	224,064	112,905
Investments held at fair value through profit or loss		
Opening book cost	65,600	234,136
Opening investment holding gains	47,305	90,839
Opening fair value	112,905	324,975
Analysis of transactions made during the year		
Purchases at cost	446,496	183,626
Sales proceeds received	(193,446)	(460,134)

	2022 £'000	2021 £'000
Gains on investments	25,119	107,972
Movement in investment holding losses	(167,010)	(43,534)
Closing fair value	224,064	112,905
Closing book cost	343,770	65,600
Closing investment holding (losses)/gains	(119,706)	47,305
Closing fair value	224,064	112,905

The company received £193,446,000 (2021: £460,134,000) from investments sold during the year. The book cost of these investments when they were purchased was £168,888,000 (2021: £352,162,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

The table below sets out the classifications of the carrying amounts of the Company's financial assets and financial liabilities into categories of financial instruments.

Financial instruments as at 31 October 2022

	Financial assets measured at fair value £'000	Financial assets measured at amortised cost £'000	Financial liabilities measured at fair value £'000	Financial liabilities measured at amortised cost £'000	Total £'000
Investments at fair value through profit or loss	224,064	–	–	–	224,064
Cash and cash equivalents	–	8,534	–	–	8,534
Sales for future settlement and other receivables	–	56	–	–	56
Purchases for future settlement and other payables	–	–	(811)	–	(811)
Total	224,064	8,590	(811)	–	231,843

Financial instruments as at 31 October 2021

	Financial assets measured at fair value £'000	Financial assets measured at amortised cost £'000	Financial liabilities measured at fair value £'000	Financial liabilities measured at amortised cost £'000	Total £'000
Investments at fair value through profit or loss	112,905	–	–	–	112,905
Cash and cash equivalents	–	201,795	–	–	201,795
Sales for future settlement and other receivables	–	59,957	–	–	59,957
Purchases for future settlement and other payables	–	–	(869)	–	(869)
Total	112,905	261,752	(869)	–	373,788

Notes to the Financial Statements Continued

5. Investment income

	2022 £'000	2021 £'000
Dividends from UK Investments	–	2,824
Dividends from Overseas Investments	4,065	843
Other income	43	–
Total Investment income	4,108	3,667

6. Investment Management fee and other expenses

	2022 £'000	2021 £'000
Management fee	1,020	2,753
Administration fees	203	202
Depositary and custody service fees	211	172
Registration fees	31	34
Directors' fees	179	140
Auditor's fees:		
Audit services	51	47
Non-audit services	17	17
Promotional fees	–	123
Broker fees	76	51
Miscellaneous expenses	145	96
Total other expenses	913	882
Total Investment Management fee and other expenses	1,933	3,635

Management fee (during the year ended 31 October 2021 and up to 9 November 2021)

Management services are provided by abrdn Fund Managers Limited ("AFML"). During the year, the management fee was payable monthly in arrears (and pro rata for part of any month during which the management agreement is in force) at an annualised rate of 0.80% of net assets, reduced by the proportion of the Company's net assets invested in funds which are managed by the abrdn Group ("abrdn Funds"), other than the investments in Aberdeen Standard SICAV I - China A Share Equity Fund and Aberdeen Standard SICAV I - Frontier Markets Bond Fund, which are held in share classes not subject to management charges at a fund level and the Manager was therefore entitled to a fee on the value of those investments.

Management fee and Agreement (following the Completion of the Scheme of Reconstruction on 9 November 2021) (the "Scheme")

Following completion of the Scheme, the Company entered into a new management agreement (the "Management Agreement") with abrdn Fund Managers Limited ("AFML"), pursuant to which the management fee payable by the Company to AFML is calculated by reference to the market capitalisation of the Company, rather than its net assets (as was the case). The new management fee is structured on a tiered basis, with the first £150 million of market capitalisation being charged at 0.80%, the next £150 million being charged at 0.75%, and amounts thereafter being charged at 0.65%.

AFML has agreed to make a contribution to the costs of implementing the Scheme by means of a waiver of the management fee for the first six months following the completion of the Scheme.

The Management Agreement is terminable by either party on not less than six months' written notice at any time.

Promotional fee

During the year the Company paid fees of £nil (2021: 123,400) to AFML for the provision of promotional activities.

Company Secretary and Administrator fees

Vistra Fund Services (Guernsey) Limited ("Vistra") is appointed as Administrator and Secretary to the Company. Vistra is appointed under a contract subject to ninety days' written notice and receives a fee at a rate of £40,000 per annum plus certain additional fees (during the year ended 31 October 2022, Vistra's fee for ad hoc meetings held amounted to £8,250 (2021: £8,250)). Vistra also receives the fees payable to the UK Administration Agent.

UK Administration agent fees

Sanne Fund Services (UK) Limited (formerly PraxisIFM Fund Services (UK) Limited) is appointed by Vistra to act as administration agent in the United Kingdom. Sanne is appointed under a contract subject to not less than ninety days' notice. The UK Administration Agent receives from the Administrator a monthly fee equal to one twelfth of 0.1% of NAV subject to a maximum fee for the year ended 31 October 2022 of £163,022 (2021: £153,774) per annum. The maximum fee is increased annually, in November, by the change in the UK Retail Price Index (all items) over the preceding 12 months.

Depositary and custody services and fees

Northern Trust (Guernsey) Limited, receives fees for Depositary services calculated at the rate of 2.95 basis points per annum subject to a minimum annual fee of £20,000, effective 1 August 2018. Northern Trust (Guernsey) Limited also receives a fee for custody services. It receives an asset based fee equal to between 1.00 basis points and 60.00 basis points of the value of the assets of the Company. Transaction based fees are also payable of between £10 and £140 per transaction. The variable fees are dependent on the countries in which the individual holdings are registered. The fees for depositary and custody services payable for the year were £211,000 (2021: £172,000).

7. Directors' fees

The Director's fees payable for the year were £179,000 (2021: £140,200). There were no other emoluments paid to the Directors.

Notes to the Financial Statements Continued

8. Transaction charges

	2022 £'000	2021 £'000
Transaction costs on purchases of investments	620	137
Transaction costs on sales of investments	212	250
Total transaction costs included in gains on investments	832	387

9. Bank loan payable and finance costs

In April 2022, the Company entered into an unsecured multicurrency revolving loan facility with ICBC. The facility will be utilised for general working capital purposes and for the acquisition of investments in accordance with the Company's investment policy.

Under the terms of the facility, the Company also has the option to increase the level of the commitment from £15 million to £30 million at any time, subject to the Lender's credit approval. There was no drawdown as at the year end. On 15 December 2022, the Company utilised CNH 40,000,000 (£4.67 million) of its unsecured multicurrency revolving loan facility.

	2022 £'000	2021 £'000
Bank loan		
Opening balance	-	12,500
Proceeds from bank borrowings (drawdowns)	-	12,500
Repayment of bank borrowings (repayments)	-	(25,000)
Closing balance	-	-

	2022 £'000	2021 £'000
Finance costs		
Interest payable	70	151
Facility arrangement fees and other charges	39	25
Total finance costs	109	176

At 31 October 2022, Finance costs payable of £nil (2021: £34,000) was accrued in the Statement of Financial Position.

10. Basic earnings and diluted earnings per Ordinary share

Basic earnings and diluted earnings per Ordinary share is based on the total comprehensive income for the year ended 31 October 2022, being a loss of £140,954,000 (2021: profit of £64,156,000) attributable to the weighted average of 46,260,167 (2021: 45,965,159) Ordinary shares in issue (excluding shares held in treasury) during the period ended 31 October 2022.

Supplementary information is provided as follows: revenue per share is based on the net revenue profit of £1,851,000 (2021: revenue loss of £282,000) and capital earnings per share is based on the net capital loss of £142,805,000 (2021: profit of £64,438,000) attributable to the above Ordinary shares.

11. Dividends paid

There were no dividends paid or declared during the year ended 31 October 2022. The Board declares an interim dividend in respect of the year ended 31 October 2022 of 3.2p per Ordinary share which will be payable to Shareholders on 17 March 2023, with a record date of 24 February 2023 and ex-dividend date of 23 February 2023.

Dividends paid during the year ended 31 October 2021

Dividend type (in respect of the year) – Pay date	Pence per Ordinary share	£'000
Fourth interim (2020) – paid 18 December 2020	5.50	2,528
First interim (2021) – paid 26 March 2021	5.75	2,643
Second interim (2021) – paid 25 June 2021	5.75	2,643
Third interim (2021) – paid 24 September 2021	5.75	2,643
Total dividends	22.75	10,457

12. Share capital

For the year ended 31 October 2022	Authorised	Ordinary shares of 1 p nominal value £'000	Allotted, issued and fully paid	Ordinary shares with voting rights (excluding treasury shares)	Treasury shares
Opening number of shares	Unlimited	546	54,618,507	45,965,159	8,653,348
Scheme of reconstruction					
Ordinary shares issued		76	7,554,440	7,554,440	–
Ordinary shares repurchased		–	–	(6,894,773)	6,894,773
Purchase of own shares		–	–	(1,341,251)	1,341,251
Closing number of shares	Unlimited	622	62,172,947	45,283,575	16,889,372

For the year ended 31 October 2021	Authorised	Ordinary shares of 1 p nominal value £'000	Allotted, issued and fully paid	Ordinary shares with voting rights (excluding treasury shares)	Treasury shares
Opening number of shares	Unlimited	546	54,618,507	45,965,159	8,653,348
Purchase of own shares		–	–	–	–
Closing number of shares	Unlimited	546	54,618,507	45,965,159	8,653,348

Scheme of Reconstruction

On 9 November 2021 the Company completed and announced its Scheme of Reconstruction (the “Scheme”). As a result of the Scheme, the change in share capital of the Company was as follows:

- **Share issue** – The Company acquired approximately £62 million of net assets from New Thai in consideration for the issue of 7,554,440 new Ordinary shares in the Company.
- **Tender Offer** – A total of 6,894,773 Ordinary shares were repurchased by the Company on 10 November 2021 under the Tender Offer and held in treasury at an aggregate cost to the Company of £55 million.

The cost of implementing the Scheme paid during the year was £177,000 (2021: £881,000).

Purchases of own shares

There were 1,341,251 Ordinary shares purchased during the year (2021: none).

Share capital account

The aggregate balance (including share premium) standing to the credit of the share capital account as at 31 October 2022 was £147,444,000 (2021: £148,735,000).

Notes to the Financial Statements Continued

Ordinary shares

Voting rights (as at 31 October 2022)

Holders of Ordinary shares are entitled to attend, speak and vote at general meetings of the Company. Each Ordinary share (excluding shares in treasury) carries one vote. Treasury shares do not carry voting rights.

At its financial year end, the Company had 386 registered shareholders. At 31 October 2022, the Company was notified of 3 shareholders who each held more than 10% of the issued share capital and their holdings were 27.8% (2021: 28.7%), 23.5% (2021: 22.1%) and 19.5% (2021: 21.8%) respectively.

Dividends

The holders of Ordinary shares are entitled to such dividend as may be declared by the Company from time to time. Shares held in treasury do not receive dividends.

Capital entitlement

On a winding up, the Ordinary shares (excluding treasury shares) shall rank pari passu for the nominal capital paid up thereon and in respect of any surplus. Shares held in treasury have no capital entitlement on a winding up of the Company.

13. Capital reserve

	2022 £'000	2021 £'000
Realised gains on investments and other capital reserve movements		
Opening balance	183,241	85,726
Dividends paid from capital reserves	–	(10,457)
Gains from disposal of investments*	45,085	114,954
Losses from disposal of investments*	(20,527)	(6,982)
Foreign exchange losses	(354)	–
Balance at 31 October	207,445	183,241
Investments held		
Opening balance	47,303	90,837
Movement in unrealised gain on revaluation of investments held*	1,454	27,661
Movement in unrealised loss on revaluation of investments held*	(168,463)	(71,195)
Balance at 31 October	(119,706)	47,303
Capital reserve balance at 31 October	87,739	230,544

* Net gains on investments held at fair value through profit or loss figure for the year ended 31 October 2022 totalled £141,891,000 (2021: £64,438,000).

14. Net asset value ("NAV") per Ordinary share

The NAV per Ordinary share is based on net assets of £231,843,000 (2021: £373,788,000) divided by 45,283,575 (2021: 45,965,159) Ordinary shares in issue (excluding shares held in treasury) at the year end.

The table below is a reconciliation between the NAV per Ordinary share as announced on the London Stock Exchange and the NAV per Ordinary share disclosed in these financial statements.

	As at 31 October 2022		As at 31 October 2021	
	Net assets (£'millions)	NAV per Ordinary share (p)	Net assets (£'millions)	NAV per Ordinary share (p)
NAV as published on 1 November 2022 and 1 November 2021 respectively	231.8	511.98	373.7	813.09
Revaluation adjustments – delayed prices	–	–	0.1	0.11
NAV as disclosed in these financial statements	231.8	511.98	373.8	813.20

15. Reconciliation of operating profit to net cash flow from operating activities

	2022 £'000	2021 £'000
Operating profit before finance costs and taxation	(140,630)	64,470
Less: Tax deducted at source on income from investments	(215)	(138)
Add: Realisation of investments at book cost	168,327	352,162
Less: Purchase of investments	(446,496)	(183,626)
Less: Adjustment for unrealised losses / (gains)	167,011	43,534
Less: Adjustment for accrued (Scheme of reconstruction)	–	(212)
Effect of foreign exchange	354	–
Increase in trade receivables	59,889	(58,666)
(Decrease)/increase in trade payables	(49)	(276)
Net cash flow from operating activities	(191,809)	217,248

16. Related party disclosures

Manager

Management fees payable are shown in the Statement of Comprehensive Income and note 6. As at 31 October 2022, management fees of £291,000 (2021: £472,000) were accrued in the Statement of Financial Position. Total management fees for the year were £1,020,000 (2021: £2,753,000).

Details of promotional fees payable can be found in note 6. The balance outstanding at the financial year end was £nil (2021: £41,000).

Notes to the Financial Statements Continued

Investments held by the Company which are managed by the abrdn plc Group

As at 31 October 2022, the Company held the following investments managed by the abrdn Group;

	As at 31 October 2022 £'000	As at 31 October 2021 £'000
Aberdeen Standard SICAV I – China A Share Equity Fund	–	21,874
abrdn New India Investment Trust PLC	–	10,826
abrdn Asian Income Fund Limited	–	6,215
Aberdeen Standard SICAV I – Frontier Markets Bond Fund	–	–
Asia Dragon Trust PLC	–	–
Total	–	38,915

Directors

Total fees for the Directors in the year ended 31 October 2022 were £179,000 (2021: £140,200). There were no outstanding fees due to the Directors at the year end (2021: £nil). Details of Directors' share holdings in the Company can be found on page 35.

17. Financial instruments – risk profile

Risk Management Framework

The Company has established procedures to enable it to manage its financial risks. The main financial risks faced from its financial instruments are market risk, liquidity risk and credit risk, which are discussed as follows.

Market risk

i) Risks associated with Chinese and emerging markets

Investment in certain emerging securities markets, including China, may involve a greater degree of risk than that associated with investment in more developed securities markets. In particular, in certain countries in which the Company is proposing to invest:

- liquidity and settlement risks may be greater;
- accounting standards may not provide the same degree of shareholder protection as would generally apply internationally;
- national policies may restrict the investment opportunities available to foreign investors, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests;
- the fiscal and monetary systems remain relatively undeveloped and this may affect the stability of the economic and financial markets of those countries;
- substantial limitations may exist with respect to the Company's ability to repatriate investment income, capital or the proceeds of sales of securities by foreign investors; and
- assets may be subject to increased political and/or regulatory risk.

The day to day management of the market risks is the responsibility of the Investment Manager, which analyses markets within a framework of quality, value, growth and change. The Board believes the Investment Manager utilises its proven research and management selection experience to ensure that these risks are minimised, as far as is possible. The investment policy employed by the Investment Manager ensures that diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive. The Company's market positions are monitored by the Board in the monthly portfolio valuations and at Board meetings.

ii) Currency risk

As stated under i) above, the Company invests in Chinese markets. It is therefore exposed to currency risks which affect both the performance of its investee funds and also the value of the Company's holdings against the Company's functional currency, sterling. The Company holds sterling and occasionally other foreign currencies for brief periods in its account with the custodian, but only at times when it expects to invest that currency into portfolio holdings shortly after.

It is not the Company's policy to hedge against foreign currency movements, nor does the Company use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. Movements in exchange rates are likely to affect directly and indirectly the value of the Company's investments.

Currency price risk sensitivity

The effect of a 1% appreciation/depreciation in the exchange rate of the Chinese Yuan over sterling would have resulted in an increase/decrease of £156,000 (2021: £nil) in the Company's investments held at fair value through profit or loss at the Statement of Financial Position date. This analysis assumes that all other variables remain constant.

iii) Interest rate risk

No significant interest rate risks arise in respect of any current asset. The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. All cash held as a current asset is sterling or US dollar.

In April 2022, the Company entered into an unsecured multicurrency revolving loan facility with ICBC. The facility will be utilised for general working capital purposes and for the acquisition of investments in accordance with the Company's investment policy.

Under the terms of the facility, the Company also has the option to increase the level of the commitment from £15 million to £30 million at any time, subject to the Lender's credit approval. There was no drawdown as at the year end. On 15 December 2022, the Company utilised CNH 40,000,000 (£4.67 million) of its unsecured multicurrency revolving loan facility.

Movements in interest rates are likely to indirectly affect the value of the Company's investments.

Interest rate risk sensitivity

Movements in interest rates are likely to directly affect bank loan interest payments and commitment fees and are likely to indirectly affect the value of the Company's investments, both of which are not likely to affect the Company's net assets to a material extent. However, it is not possible to give an accurate assessment of how significant changes in interest rates would affect the prices of equity investments held by the Company.

Quantitative analysis

A breakdown of the pricing denominations of the funds in which the Company is invested is shown below.

The Company's financial assets and liabilities as at 31 October comprised:

	As at 31 October 2022				As at 31 October 2021			
	Cash flow Interest rate risk £'000	Non interest rate risk £'000	Total £'000	% of net assets	Cash flow Interest rate risk £'000	No interest rate risk £'000	Total £'000	% of net assets
Non-current asset investments at fair value:								
EUR denominated	-	-	-	-	-	-	-	-
GBP denominated	-	-	-	-	-	32,584	32,584	8.7
HKD denominated	-	91,289	91,289	39.4	-	-	-	-
CNY denominated	-	131,456	131,456	56.7	-	-	-	-
USD denominated	-	1,319	1,319	0.6	-	80,321	80,321	21.5
Cash and cash equivalents								
GBP*	8,496	-	8,496	3.7	-	182,718	182,718	48.9
HKD	28	-	28	-	-	-	-	-
CNY	6	-	6	-	-	-	-	-
USD*	4	-	4	-	-	19,077	19,077	5.1
Short term receivables	-	56	56	-	-	59,957	59,957	16.0
Short term payables	(25)	(786)	(811)	(0.4)	(34)	(835)	(869)	(0.2)
	8,509	223,334	231,843	100.0	(34)	373,822	373,788	100.0

* Cash held at the custodian is in a 0% interest bearing account

Notes to the Financial Statements Continued

iv) Other price risks

The principal price risk for the Company is the price volatility on the investment portfolio. The Investment Manager attempts to diversify the price risk by spreading the Company's investments across a number of economic sectors. The Board meets regularly to review the Investment Manager's performance and the asset allocation.

Market price risk sensitivity

The effect on the portfolio of a 10% increase or decrease in market prices would have resulted in an increase or decrease of £22,406,400 (2021: £11,290,500) in the investments designated as fair value through profit or loss at the Statement of Financial Position date, equivalent to 10.0% (2021: 3.0%) of the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

Liquidity risks

A large portion of the Company's investments are in quoted securities. A high percentage of securities are listed on the Chinese, London or New York Stock Exchanges and are considered to be readily realisable by comparison with most emerging market securities. The Company also holds unquoted investments, which are predominantly in open-ended funds. The Company has made application to fully redeem its investments in unquoted and open-ended investments. Some delay may be encountered in obtaining liquidity in respect of these securities; the Company may utilise its borrowing powers on a short-term basis to avoid delays in reinvestment of the proceeds of redemptions.

The Investment Manager has estimated the percentages of the portfolio that could be liquidated within various timescales, assuming one third of daily trading volumes. The results are shown below.

Liquidation Period	2022 (%)	2021* (%)
One month	99.5	39.7
Three months	99.5	78.3
One year	99.5	95.9

The analysis above supports the Company's ability to repay borrowings, considering the Company is permitted to borrow, at the point of borrowing, up to 15% of its net assets compared to the Company's ability to realise an estimated 99% of its portfolio within one month.

The Company had £222,000 (2021: £nil) purchase transactions and £nil (2021: £59,838,000) sales transactions awaiting settlement at the year end.

The liquidity of the underlying holdings in the funds in which the Company is invested may have an impact on the ability of the Company to realise its holdings in those funds.

Credit risks

The Company's principal direct credit risk is the risk of default on cash held at the custodian. Cash at bank at 31 October 2022 included £8,534,000 (2021: £201,795,000) held by the custodian, Northern Trust (Guernsey) Limited. The Company monitors the credit quality of the custodian. Interest is based on the prevailing money market rates.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be low as trading is almost always done on a delivery versus payment basis. When investments are made in open-ended funds, the Investment Manager performs due diligence on those funds before making any investment.

All of the assets of the Company are held by the custodian or through the custodian's nominated sub custodians. Bankruptcy or insolvency of the Company's custodian, Northern Trust (Guernsey) Limited, or its sub custodians may cause the Company's rights with respect to securities held by them to be delayed or limited. The latest credit ratings at the time of approval of this document for Northern Trust (Guernsey) Limited's parent company, The Northern Trust Company, were as follows:

	Standard & Poor's	Moody's	Fitch Ratings
Short-term/deposit	A-1+	P-1	F1+
Long-term/deposit	AA-	Aa2	AA

The Company's investments may be exposed to credit risk.

Capital management

The Company considers that its capital consists of its net assets.

The Company's authorised share capital consists of an unlimited number of Ordinary shares of £0.01 par value. At 31 October 2022, there were 45,283,575 (2021: 45,965,159) Ordinary shares in issue (excluding shares held in treasury).

The Manager and the Company's brokers monitor the demand for the Company's shares and the Directors review the position at Board meetings. Details on the Company's policies for issuing further shares and buying back shares can be found in the Directors' Report.

In April 2022, the Company entered into an unsecured multicurrency revolving loan facility with ICBC. The facility will be utilised for general working capital purposes and for the acquisition of investments in accordance with the Company's investment policy.

Under the terms of the facility, the Company also has the option to increase the level of the commitment from £15 million to £30 million at any time, subject to the Lender's credit approval. There was no drawdown as at the year end. On 15 December 2022, the Company utilised CNH 40,000,000 (£4.67 million) of its unsecured multicurrency revolving loan facility.

Restrictions imposed by ICBC in connection with the loan facility include the following financial covenants.

The Company shall ensure that:

- Total borrowings do not exceed 20% of the total assets at any time.
- Its NAV shall at all times be a minimum of £200,000,000; and
- The aggregate value of the unlisted investments does not exceed 10% of the aggregate value of the investments at any time.

The Company does not have any externally imposed capital requirements other than disclosed above.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities with financial instruments either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;

Notes to the Financial Statements Continued

- contingency plans;
- ethical business standards;
- insurance; and
- risk mitigation.

The Directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the main service providers to the Company and a review of their internal controls documents prepared under industry recognised guidance, if available.

18. Valuation of financial instruments

The Company's financial assets and liabilities held at fair value through profit or loss are valued at fair value in accordance with the provisions of IFRS as described in note 2 (g).

The classification of the Company's investments held at fair value is detailed in the table below:

	31 October 2022 £'000	31 October 2021 £'000
Level 1	222,745	69,419
Level 2	–	42,128
Level 3	1,319	1,358
Total	224,064	112,905

The Company recognises transfers between levels of fair value hierarchy at the date the change occurred.

There were no investments transferred between levels during the year (2021: no investments transferred between levels during the year).

Level 1 classification basis

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include listed equities in active markets. The Company does not adjust the quoted price for these instruments.

Level 2 classification basis

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include monthly priced investment funds. The underlying net asset values of the open ended funds included under level 2 are prepared using industry accepted standards and the funds have a history of accepting and redeeming funds on a regular basis at net asset value. The net asset values of regularly traded open ended funds are considered to be reasonable estimates of the fair values of those investments and such investments are therefore classified within level 2 if they do not meet the criteria for inclusion in level 1.

Level 3 classification basis

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. The level 3 figure consists of an investment in Komodo Fund which is valued at the unadjusted net asset values provided by the administrator of that fund.

The movement on the level 3 classified investments during the year is shown below:

	2022 £'000	2021 £'000
Opening balance	1,358	2,129
Additions during the year	-	-
Disposals during the year	-	-
Profit or loss on disposals during the year	-	-
Transfer of investment from level 2 to level 3	-	-
Valuation adjustments*	(39)	(771)
Closing balance at 31 October	1,319	1,358

* Total gains/(losses) included in profit or loss on assets held at year end.

Level 3 classified investments sensitivity analysis

If the fair value of level 3 classified investments changed by 5%, the impact on the Company's net assets attributable to equity holders would be 0.03% (2021: 0.01%). As at 31 October 2022, the Company's net assets attributable to equity holders would be adversely affected by a maximum of 0.6% (2021: 0.3%) if level 3 classified investments were written off to £nil.

Structured entities

The Company had invested in a portfolio of funds and products which gave diversified exposure to developing and emerging market economies. The Company does not consider those investments in listed funds to be structured entities but does consider those investments in unlisted funds to be investments in structured entities because the voting rights in such entities are limited to administrative tasks and are not the dominant factor in deciding who controls those entities.

The investments in structured entities are subject to the terms and conditions of offering documents and/or constitutional documents. These investments are subject to market price and other risks arising from their underlying portfolios. Investee funds are managed by portfolio managers who are compensated by the respective funds for their services. Such compensation generally may consist of an asset based fee and/or a performance based fee.

The investments in structured entities are financial assets which are designated as fair value through profit or loss in the Company's financial statements. During the year ended 31 October 2022, the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

The exposure to investments in investee funds and products at fair value by strategy employed is disclosed in the following table.

2022

Strategy	Number of investee funds	Fair value range £'000	Weighted average fair value £'000	Investment at fair value £'000	% of total net assets of underlying funds
Equity long-only	1	1,319	1,319	1,319	0.6%

2021

Strategy	Number of investee funds	Fair value range £'000	Weighted average fair value £'000	Investment at fair value £'000	% of total net assets of underlying funds
Equity long-only	5	1,358 – 16,282	13,081	51,141	45.3%

Equity long-only

Portfolio managers implementing equity long-only strategies generally take long positions in equity related instruments such as ordinary shares, preferred shares, convertible bonds, depositary receipts, exchange traded funds and market access products such as index futures with the expectation that the asset will rise in value.

19. Operating segments

The Board of Directors is responsible for ensuring that the Company's objective and investment strategy is followed. The Company's objective is to produce long-term capital growth by investing predominantly in Chinese equities across a number

Notes to the Financial Statements Continued

of economic sectors. The day-to-day operation of the investment strategy has been delegated to the Investment Manager but the Board retains responsibility for the overall direction of the Company. The Board reviews the investment decisions of the Investment Manager at regular Board meetings to ensure compliance with the investment strategy and to assess the achievement of the Company's objective. The Investment Manager has been given full authority to make investment decisions on behalf of the Company in accordance with the investment strategy and analyses markets within a framework of quality, value, growth and change. The investment policy employed by the Investment Manager ensures that diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive. The Company's positions are monitored as a whole by the Board in monthly portfolio valuations and at Board meetings. Any significant change to the Company's investment strategy requires shareholder approval.

No single investment accounted for more than 7.0% (2021: 5.8%) of the Company's net assets at the Company's year end. The Investment Manager aims to identify funds which it considers are likely to deliver consistent capital growth over the longer term.

20. Post balance sheet events

Change of Company Secretary, Administrator, Depositary and Custodian

Following the end of the Financial Year, the Company has signed agreements with abrdn plc and various entities within BNP Paribas S.A. ("BNPP") to take on the various functions in due course. BNPP will become the Company's administrator and provide custody and depositary services. abrdn will take on Company Secretarial responsibilities.

Purchase of own shares

In addition to the Scheme mentioned above, since the year ended 31 October 2022, the Company has purchased 1,268,709 of its own Ordinary shares and held them in Treasury.

Loan facility draw down

Since the financial year ended the Investment Manager has drawn down a total of CNH 106m (£12.7m) in two tranches.

Interim dividend declaration in respect of the year ended 31 October 2022

Ensuring that the Company retains its investment trust status, the Board declares an interim dividend in respect of the year ended 31 October 2022 of 3.2p per Ordinary share which will be payable to Shareholders on 17 March 2023 with an associated ex-dividend date of 23 February 2023.

21. Taxation

(a) Analysis of charge :

	Year ended 31 October 2022		
	Revenue £'000	Capital £'000	Total £'000
Withholding tax expense	215	–	215
Total tax charge for the year	215	–	215

(b) Factors affecting the tax charge for the year:

The effective UK corporation tax rate for the year is 19% . The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The differences are explained below:

	Year ended 31 October 2022		
	Revenue £'000	Capital £'000	Total £'000
Operating profit before taxation	2,066	(142,805)	(140,739)
UK Corporation tax at 19%	393	(27,133)	(26,740)
Effects of:			
Withholding tax expense	215	–	215
UK dividends not taxable	(769)	–	(769)
Capital gains/(losses) not subject to tax	–	27,133	27,133
Overseas dividends not taxable	(3)	–	(3)
Other Income not taxable	(8)	–	(8)
Finance costs not tax deductible	21	–	21
Movement in unutilised management expenses	366	–	366
Total tax charge	215	–	215

No deferred tax asset has been recognised in the accounts because, given the composition of the Company's portfolio, it is unlikely that a deferred tax asset will be utilised in the foreseeable future. The Company has not provided for deferred tax on any tax losses.

ACIC received approval by HMRC to be classified as an investment trust under Chapter 4 of Part 24 CTA 2010 and Chapter 1 of Part 2 of The Investment Trust Tax Regulations. As a result, the Company became an investment trust with effect from 9 November 2021 and is registered in the United Kingdom for tax purposes from that date. No tax computation is required in respect of the prior year ended 31 October 2021.

Corporate Information

The Annual General Meeting will be held at Wallacespace Spitalfields, 15-25 Artillery Lane, London, E1 7HA at 12 noon on 13 April 2023.

We will also be hosting an Online Shareholder Presentation, which will be held at 10.00am on 30 March 2023. Full details on how to register for the online event can be found at:

bit.ly/abrdn-China-webinar

Alternative Performance Measures ("APMs") (unaudited)

Discount

The amount, expressed as a percentage, by which the share price is less than the NAV per Ordinary share.

		Page	As at 31 October 2022	As at 31 October 2021
NAV per Ordinary share (pence)	a	54	511.98	813.20
Ordinary share price (pence)	b	2	448.00	695.00
Discount	1-(b÷a)		12.5%	14.5%

Gearing

The net gearing ratio is calculated by dividing total borrowings less net liquid cash by Shareholders' funds and expressing the result as a percentage. Under AIC reporting guidance cash and cash equivalents includes the value of purchases and sales for future settlement at the period end as well as cash.

		Page	As at 31 October 2022 £'000	As at 31 October 2021 £'000
Total borrowings	a		-	-
Cash and bank		54	8,534	201,795
Sales for future settlement		54	-	59,838
Purchases for future settlement		54	-222	-
Cash and cash equivalents	b		8,312	261,633
Gearing (borrowings less cash and cash equivalents)	c=(a-b)		-8,312	-261,633
Shareholders' funds	d	54	231,843	373,788
Net (cash) / gearing	c/d		-3.60%	-70.00%

Leverage

Under the Alternative Investment Fund Managers Directive ("AIFMD"), leverage is any method by which the exposure of an Alternative Investment Fund ("AIF") is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Further details on the Company's leverage is provided on page 84.

Alternative Performance Measures ("APMs")

(unaudited) Continued

Ongoing charges

A measure, expressed as a percentage of average NAV, of the regular, recurring annual costs of running an investment company.

		Page	As at 31 October 2022	As at 31 October 2021
Average NAV (£'000)	a	n/a	319,519	372,698
Annualised expenses* (£'000)	b	n/a	1,933	3,635
Ongoing charges	b÷a	2	0.60%	0.98%

*100% of the Company's portfolio is held in other funds. The Company's ongoing charges figure does not reflect any costs of the underlying funds as the underlying information is not readily available.

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its Ordinary shares on the ex-dividend date.

Year ended 31 October 2022	Page	Ordinary share price	NAV
Opening at 1 November 2021 (pence)	a	695.00	813.20
Closing at 31 October 2022 (pence)	b	448.00	511.98
Share price/NAV movement (b ÷ a) - 1	c	-35.5%	-37.0%
Dividend reinvestment	d	0.0%	0.0%
Total return (c+d)		-35.5%	-37.0%

n/a = not applicable

Year ended 31 October 2021	Page	Ordinary share price	NAV
Opening at 1 November 2020 (pence)	a	605.00	698.29
Closing at 31 October 2021 (pence)	b	695.00	813.20
Share price/NAV movement (b ÷ a) - 1	c	14.9%	16.5%
Dividend reinvestment	d	3.8%	3.3%
Total return (c+d)		18.7%	19.8%

n/a = not applicable

Investor Information

Alternative Investment Fund Managers Directive ("AIFMD") and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed abrdn Fund Managers Limited as its alternative investment fund manager and Northern Trust (Guernsey) Limited as its Depositary under the AIFMD.

The AIFMD requires abrdn Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: abrdnchina.co.uk.

Investor Warning: Be alert to share fraud and boiler room scams

abrdn has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for abrdn or for third party firms. abrdn has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for abrdn and any third party making such offers/ claims has no link with abrdn.

abrdn does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: fca.org.uk/consumers/scams.

Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrars (see Company Information). Changes of address must be notified to the Registrars in writing.

Any general queries about the Company should be directed to the Company Secretary in writing (see Company Information) or by email to: CEF.CoSec@abrdn.com.

For questions about an investment held through the abrdn Investment Plan for Children, Investment Trust Share Plan or

Investment Trust Stocks and Shares ISA, please telephone the Manager's Customer Services Department on **0808 500 0040**, email inv.trusts@abrdn.com or write to:

abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2022/23 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the abrdn Investment Plan for Children, Share Plan or Investment Trusts ISA, or through the many stockbroker platforms which offer the opportunity to acquire shares in investment companies.

abrdn Investment Plan for Children

abrdn operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management, including the Company. Anyone can invest in the Children's Plan (subject to the eligibility criteria as stated within the terms and conditions), 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 company, while regular savers may invest from £30 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. 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 abrdn in writing at any time.

Investor Information Continued

abrdrn Share Plan

abrdrn operates a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. 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 abrdrn in writing at any time.

abrdrn Investment Trusts ISA

abrdrn operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the 2022/23 tax year.

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 where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of Capital Gains Tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to abrdrn, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per company of £250.

Nominee Accounts and Voting Rights

All investments in the abrdrn Investment Plan for Children, Share Plan and Investment Trusts ISA are held in nominee accounts and investors are provided with the equivalent of full voting and other rights of share ownership.

Keeping You Informed

Further information about the Company may be found on its dedicated website: abdrnchina.co.uk. This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current

and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

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

Details are also available at: invtrusts.co.uk.

Twitter

@abdrnTrusts

LinkedIn

abdrn Investment Trusts

Key Information Document ("KID")

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

Literature Request Service

For literature and application forms for abrdrn's Investment Trust's products, please contact us through invtrusts.co.uk.

Or telephone: 0808 500 4000

Or write to:

abdrn Investment Trusts

PO Box 11020

Chelmsford

Essex CM99 2DB

Terms and Conditions

Terms and conditions for abrdrn managed savings products can also be found under the Literature section of the Manager's website at: invtrusts.co.uk.

Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms.

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management and Financial Advice Association at: pimfa.co.uk.

Financial Advisers

To find an adviser who recommends on investment companies, visit: unbiased.co.uk.

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority at fca.org.uk/firms/financial-services-register

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 company shares purchased will immediately be reduced by the difference between the buying and selling prices of the shares, known as 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.

The information on pages 81 to 83 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Investments Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

AIFMD Disclosures (unaudited)

abrdn Fund Managers Limited ("AFML") and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which may be found on the Company's website. There have been no material changes to the disclosures contained within the PIDD since its most recent update.

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

- information on the investment strategy, geographical and sector investment focus and principal stock exposures is included in the Investment Manager's Report on pages 9 to 16;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Investment Manager's Report on pages 9 to 16, note 17 to the financial statements and the PIDD, together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML;
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company's Manager, abrdn Fund Managers Limited, on request and the remuneration disclosures in respect of the AIFM's relevant reporting period for the year ended 31 December 2022 is available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	2022		2021	
	Gross Method	Commitment Method	Gross Method	Commitment Method
Maximum level of leverage	2.00:1	2.00:1	2.00:1	2.00:1
Actual level at 31 October 2022	1.00:1	1.00:1	1.00:1	1.00:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There have been no changes to the circumstances in which the Company may be required to post assets as collateral and no guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place; the maximum level of leverage which AFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Glossary of Terms and Definitions

abr dn	abr dn is the brand of abr dn plc.
abr dn Group	The abr dn plc group of companies
AIC	The Association of Investment Companies
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	The Alternative Investment Fund Managers Directive. The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Benchmark Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Compound Annual Growth Rate ("CAGR")	The mean annual growth rate of an investment over a specified period of time longer than one year.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depository	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depository's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the Depository is appointed under a strict liability regime. Northern Trust (Guernsey) Limited has been appointed to provide depository services to the Company.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Investment Company	A company formed to invest in a diversified portfolio of assets.
Investment Manager	abr dn Hong Kong Limited is a wholly owned subsidiary of abr dn plc and acts as the Company's investment manager.
Key Information Document or "KID"	The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Glossary of Terms and Definitions Continued

Leverage	<p>An alternative word for “Gearing”.</p> <p>Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.</p> <p>Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company’s positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.</p>
Liquidity	The extent to which investments can be sold at short notice.
Manager, “AIFM” or “AFML”	abrdn Fund Managers Limited is a wholly owned subsidiary of abrdn plc and acts as the Alternative Investment Fund Manager for the Company. It is authorised and regulated by the Financial Conduct Authority.
MSCI ESG Rating	A measure performed by MSCI with an aim to assess a company’s management of financially relevant ESG risks and opportunities. ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).
Net assets	An investment company’s assets less its liabilities
Net asset value (“NAV”) per Ordinary share	Net assets divided by the number of Ordinary shares in issue (excluding any shares held in treasury)
Ongoing charges	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
Ordinary shares	The Company’s ordinary shares in issue.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
Qualified Foreign Investor (“QFI”)	QFIs are individuals, groups or associations, who reside outside China and are permitted to invest in China’s mainland markets.
Shanghai Stock Exchange STAR Market (“STAR”)	A Chinese science, technology and innovation focused equities market.
Share buyback	A purchase of a company’s own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
The Taskforce on Climate-related Financial Disclosures (TCFD)	An international body formed with a mission to strengthen financial systems and increase the stability of international financial markets by coordinating national monetary authorities and international standard-setting bodies.
Total return	A measure of performance that takes into account both income and capital returns.
Tracking error	A measure, expressed as a percentage, of how closely a portfolio follows an index over a period of time.
Treasury shares	A company’s own shares which are available to be sold by it to raise funds.
Value at risk	A statistical technique used to measure and quantify the level of financial risk within a portfolio over a specific time frame.
Volatility	A measure of how much a share moves up and down in price over a period of time.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Wallacespace Spitalfields, 15-25 Artillery Lane, London, E1 7HA at 12 noon on 13 April 2023 for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary Resolutions

1. To receive and adopt the financial statements for the year ended 31 October 2022, with the reports of the Directors and auditor thereon.
2. To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) included in the Annual Report for the year ended 31 October 2022.
3. To approve the Directors' Remuneration Policy included in the Annual Report covering the three year period ending 31 October 2025.
4. To re-elect Ms Gilding as a Director of the Company.
5. To re-elect Ms MacAulay as a Director of the Company.
6. To elect Mr Bridgeman as a Director of the Company.
7. To re-elect Mrs Green as a Director of the Company.
8. To re-elect Ms de Rochechouart as a Director of the Company.
9. To re-appoint KPMG Channel Islands Limited as auditor of the Company to hold office until the conclusion of the next AGM of the Company at which audited accounts are laid before the Company.
10. To authorise the Directors to determine the remuneration of the auditor for the year ended 31 October 2023.
11. THAT the Company be and is hereby authorised in accordance with section 315 of the Companies (Guernsey) Law, 2008 to make market purchases (within the meaning of section 316 of the Companies (Guernsey) Law, 2008 of its shares, provided that:
 - a) the maximum number of Ordinary shares hereby authorised to be acquired is 14.99% of the issued Ordinary share capital of the Company (excluding treasury shares) as at the date of this AGM;
 - b) the minimum price (exclusive of expenses) which may be paid for a share is £0.01;
 - c) the maximum price to be paid per share shall be the higher of: (a) 105% of the average of the closing market value of the shares for the five business days immediately preceding the date of the relevant purchase; (b) the price of the last independent trade; and (c) the highest current independent bid on the trading venues where the purchase is carried out;
 - d) the authority hereby conferred shall expire at the earlier of the conclusion of the AGM of the Company to be held in 2024 and the date being 18 months from the date of this resolution, unless previously renewed, varied or revoked by the Company in general meeting; and
 - e) the Company may make a contract to purchase its shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its shares in pursuance of any such contract

Notice of Annual General Meeting Continued

Special Resolution

12. THAT the directors of the Company be authorised to allot and issue up the number of shares representing 5% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution without regard to any and all rights of pre-emption or similar rights, whether under the Articles of Incorporation of the Company (including, without limitation, Article 6.2(a)) or otherwise. This authority shall expire at the conclusion of the AGM in 2024.

By order of the Board

Vistra Fund Services (Guernsey) Limited (in the capacity as Company Secretary)

Registered Office:

11 New Street
St Peter Port
Guernsey GY1 2PF

13 February 2023

Notes:

1. A shareholder entitled to attend and vote may appoint a proxy to attend, speak and vote instead of him/her. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder. A proxy need not be a shareholder of the Company.
2. To appoint more than one proxy to vote in relation to different shares within your holding you may photocopy the Form of Proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and should be returned together in the same envelope.
3. Forms of Proxy duly completed, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's registrar, Link Asset Services at PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, not later than 12 noon on 11 April 2023 or not less than 48 hours (excluding non-working days) before the time appointed for the holding of any adjourned AGM or, in the case of a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of a poll, or in the case of a poll taken not more than 48 hours after it was demanded, the time at which the poll was demanded.
4. A Form of Proxy is included for use by shareholders to complete, sign and return. Completion and return of the Form of Proxy will not prevent a shareholder from subsequently attending the AGM or any adjournments and voting in person if he/she so wishes.
5. Entitlement to attend and vote at the AGM (or any adjournment thereof) and the number of votes which may be cast thereat will be determined by reference to the Company's register of shareholders as at close of business on 11 April 2023.
6. To allow effective continuation of the meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, the Chairman may appoint a substitute to act as proxy in his stead for any shareholder provided that such substitute proxy shall vote on the same basis as the Chairman.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (CREST ID is RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is liable to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take, (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor's or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST systems and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
11. Given the evolving nature of the Covid-19 pandemic, should circumstances change significantly before the time of the AGM, the Company will notify shareholders of any changes to the arrangements by updating the Company's website at abrdnchina.co.uk and through an RIS announcement, where appropriate, as early as is possible before the date of the meeting. Shareholders should note that if law or Government guidance so requires at the time of the meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the meeting and may be required to impose entry restrictions on certain persons wishing to attend the meeting in order to ensure the safety of those attending the meeting and to satisfy any requirements mandated by the venue managers.

Notice of Annual General Meeting Continued

12. The Panel on Takeovers and Mergers (the “Panel”) must be consulted in advance in any case where Rule 9 of the Takeover Code (the “Code”) might be relevant. The Company has consulted with the Panel in relation to the proposed buy-back authority. On the basis that City of London Investment Management Company Limited (“CoL”) has not appointed a representative to the board of the Company and that none of the directors of the

Company are acting in concert with CoL, the Panel has confirmed on an ex parte basis to the Company that the increase in CoL’s shareholding, as a result of the purchase by the Company of its own shares pursuant to the authority conferred by Resolution 11, will not trigger an obligation for CoL to make a mandatory offer for the Company under Rule 9 of the Code.

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Form of Proxy

abrdn China Investment Company Limited

I/We _____ of _____ (BLOCK CAPITALS PLEASE)
being (a) member(s) of abrdn China Investment Company Limited (the "Company") appoint the Chairman of the meeting or
(see note 1)

_____ of _____
as my/our proxy to attend and vote for me/us and on my/our behalf at the AGM of the Company to be held at Wallacespace
Spitalfields, 15-25 Artillery Lane, London, E1 7HA on 13 April 2023 at 12 noon and at any adjournment thereof.

Please indicate with an "X" in the spaces provided how you wish your votes to be cast on the resolutions specified.

Resolution	For	Against	Withheld
1. To receive and adopt the financial statements for the year ended 31 October 2022, with the reports of the Directors and auditor thereon.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 October 2022.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Directors' Remuneration Policy included in the Annual Report covering the three year period ending 31 October 2025.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Ms Gilding as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Ms MacAulay as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To elect Mr Bridgeman as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Mrs Green as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-elect Ms de Rochechouart as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint KPMG Channel Islands Limited as auditor to the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Directors to determine the remuneration of the auditor for the forthcoming financial year.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. To give the Company the authority to purchase its own shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. To give the Company the authority to allot new shares without regard to any and all rights of pre-emption or similar rights.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he /she may think fit.

Signature _____ Dated this _____ day of _____ 2023

Notes

1. If you so desire you may delete the words “Chairman of the meeting” and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. The Form of Proxy must be lodged at the Company’s Registrars, Link Asset Services, not less than 48 hours (excluding non-working days) before the time fixed for the meeting. In default the proxy cannot be treated as valid.
3. Alternatively, in the case of CREST members, voting may be effected by using the CREST electronic proxy appointment service. CREST members who wish to utilise the CREST service may do so by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company’s agent, Link Asset Services (whose CREST ID is RA10) by the specified latest time for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed.
4. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
5. If this Form of Proxy is executed under a power of attorney or other authority, such power of attorney or other authority or a notarially certified copy thereof must be lodged with the Registrars with the Form of Proxy.
6. In the case of joint holders the vote of the senior shall be accepted to the exclusion of the other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.

Your completed and signed Form of Proxy should be posted, in the enclosed reply paid envelope, to the Company’s Registrars, Link Asset Services, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, so as to arrive before 12 noon on 11 April 2023.

Company Information

Directors

Helen Green (Chairman)
 Mark Bridgeman (appointed on 1 August 2022)
 Anne Gilding (appointed on 9 November 2021)
 Sarah MacAulay (Senior Independent Director) (appointed on 9 November 2021)
 Eleonore de Rochechouart

Registered Office

11 New Street
 St Peter Port
 Guernsey GY1 2PF

Company Secretary and Administrator

Vistra Fund Services (Guernsey) Limited
 11 New Street
 St Peter Port
 Guernsey GY1 2PF

Alternative Investment Fund Manager

abrdn Fund Managers Limited
 280 Bishopsgate
 London
 EC2M 4AG

Investment Manager

abrdn Hong Kong Limited
 30/F LHT Tower
 31 Queen's Road Central
 Hong Kong

abrdn Customer Services Department, Investment Plan for Children, Share Plan and ISA Enquiries

abrdn Investment Trusts
 PO Box 11020
 Chelmsford
 Essex CM99 2DB

Freephone: **0808 500 0040**
 (open Monday to Friday, 9.00 a.m. – 5.00 p.m., excluding public holidays in England and Wales)
 Email: inv.trusts@abrdn.com

Company Registration Number

Incorporated in Guernsey Number 50900

Website

abrdnchina.co.uk

UK Administration Agent

Sanne Fund Services (UK) Limited
 (formerly PraxisIFM Fund Services (UK) Limited)
 6th Floor
 125 London Wall
 London EC2Y 5AS

Registrars

Link Asset Services
 Longue Hougue House
 St Sampson
 Guernsey GY2 4JN

Depositary Services and Custodian

Northern Trust (Guernsey) Limited
 Trafalgar Court
 Les Banques
 St Peter Port
 Guernsey GY1 3DA

Financial Adviser and Joint Corporate broker

Shore Capital Markets Limited
 Cassini House
 57-58 St James's Street
 London SW1A 1LD

Joint Corporate broker

Numis Securities Limited
 45 Gresham Street
 London EC2V 7BF

Advisers as to Guernsey law

Mourant
 Royal Chambers
 St Julian's Avenue
 St Peter Port,
 Guernsey GY1 4HP

Independent Auditor

KPMG Channel Islands Limited
 Gategny Court
 Gategny Esplanade
 St Peter Port
 Guernsey GY1 1WR

United States Internal Revenue Service FATCA Registration Number ("GIIN")

WLL8YJ.99999.SL.831

Legal Entity Identifier ("LEI")

213800RIA1NX8DP4P938

