

# Aberdeen Asian Income Fund Limited

A total return closed-end fund offering quarterly income from a concentrated portfolio of Asian equities and bonds

**Annual Report**

31 December 2017





# Contents

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## Company Overview

Financial Highlights	2
Chairman's Statement	4

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## Strategic Report

Overview of Strategy	8
Results	13
Performance	14
Investment Manager's Review	15

---

## Portfolio

Ten Largest Investments	20
Other Investments	21
Sector/Geographical Analysis	23
Currency/Market Performance	24

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## Governance

Your Board of Directors	26
Directors' Report	29
Audit Committee's Report	36
Directors' Remuneration Report	38
Statement of Directors' Responsibilities	41
Independent Auditor's Report	42

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## Financial Statements

Statement of Comprehensive Income	48
Balance Sheet	49
Statement of Changes in Equity	50
Cash Flow Statement	51
Notes to the Financial Statements	52

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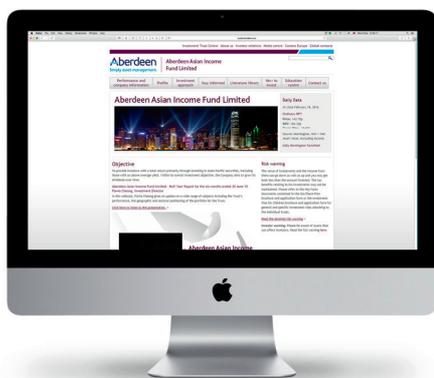
## Corporate Information

Information about the Investment Manager	73
Investor Information	75
Glossary of Terms and Definitions	78
Your Company's Share Capital History	80
AIFMD Disclosures	81

---

## Notice

Notice of Annual General Meeting	82
Appendix	84
Contact Addresses	86



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To find out more about Aberdeen Asian Income Fund Limited, please visit [asian-income.co.uk](http://asian-income.co.uk)

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# Financial Highlights

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

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

The Company is governed by a board of directors, the majority of whom are independent, and has no employees. Like other investment companies, it outsources its investment management and administration to an investment management group, Aberdeen Standard Investments (Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments), and other third party providers. The Company does not have a fixed life.

Dividend per Ordinary share – 2017

**9.00p**

2016 **8.75p**

Ordinary share price total return<sup>^</sup> – 2017

**+17.4%**

2016 **+28.4%**

<sup>^</sup>1 year return as defined on page 79

MSCI AC Asia Pacific ex Japan Index total return (currency adjusted)<sup>^</sup> – 2017

**+25.4%**

2016 **+27.7%**

<sup>^</sup>1 year return as defined on page 79

Ongoing charges – 2017

**1.09%**

2016 **1.19%**

Earnings per Ordinary share – basic (revenue) – 2017

**9.58p**

2016 **9.15p**

Net asset value total return<sup>^</sup> – 2017

**+16.0%**

2016 **+29.9%**

<sup>^</sup> 1 year return as defined on page 79

Discount to net asset value per Ordinary share – 2017<sup>B</sup>

**7.5%**

2016<sup>B</sup> **8.3%**

<sup>B</sup> As at 31 December

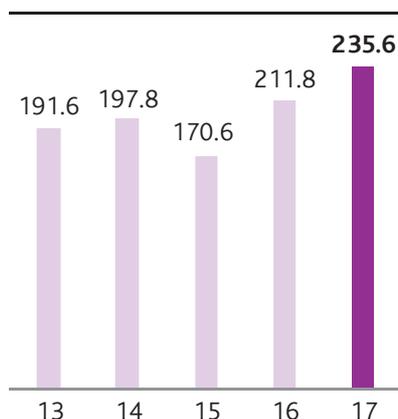
Net gearing – 2017

**7.1%**

2016 **8.2%**

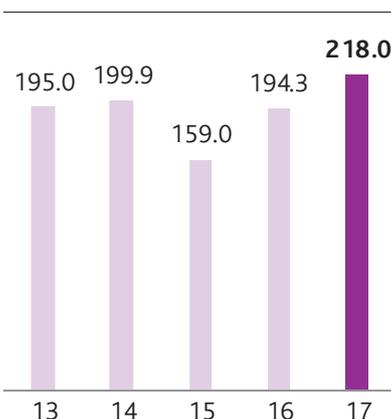
Net asset value per share

At 31 December - pence



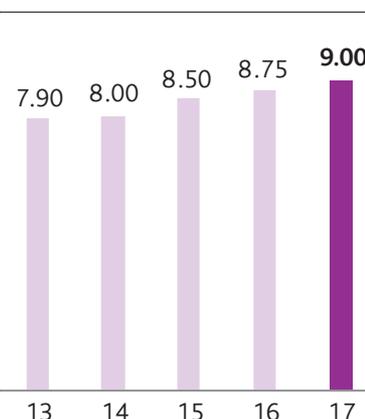
Mid-market price per share

At 31 December - pence



Dividends per share

Year ended 31 December – pence



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## Investment Objective

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

## Summary Investment Policy

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

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

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

The Company invests in small, mid and large capitalisation companies. The Company's policy is not to acquire securities that are unquoted or unlisted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may

continue to hold securities that cease to be quoted or listed if the Investment Manager considers this to be appropriate.

## Gearing

The Board is responsible for determining the gearing strategy for the Company. The Board has restricted the maximum level of gearing to 25% of net assets although, in normal market conditions, the Company is unlikely to take out gearing in excess of 15% of net assets.

## Risk Diversification

The Company aims to achieve a spread of investments, with no single investment representing more than 20% of assets at the time of investment. The Company seeks to diversify its portfolio across a range of industries and economies within the Asia Pacific region.

*Shareholders' attention is drawn to the proposed amendments to the Company's Investment Policy detailed in the Chairman's Statement on page 6 and contained in the Appendix on pages 84 and 85.*

## Management

The investment management of the Company has been delegated by Aberdeen Private Wealth Management Limited (the "Manager", the "Alternative Investment Fund Manager", APWML or "AIFM") to Aberdeen Asset Management Asia Limited ("AAM Asia" or the "Investment Manager"). AAM Asia is based in Singapore and is the Asia Pacific headquarters, of Standard Life Aberdeen PLC (the "Standard Life Aberdeen Group"), a publicly-quoted company on the London Stock Exchange. AAM Asia and APWML are wholly-owned subsidiaries of the Standard Life Aberdeen Group.

## Financial Calendar

20 February 2018	Payment of fourth interim dividend for year ended 31 December 2017
6 April 2018	Announcement of results for year ended 31 December 2017
16 May 2018	Annual General Meeting at 1 <sup>st</sup> Floor, Sir Walter Raleigh House, 48 – 50 Esplanade, St Helier, Jersey JE2 3QB at 10.30 a.m.
25 May 2018	Payment of first interim dividend for year ending 31 December 2018
17 August 2018	Payment of second interim dividend for year ending 31 December 2018
August 2018	Announcement of half yearly results for the six months ending 30 June 2018
16 November 2018	Payment of third interim dividend for year ending 31 December 2018
20 February 2019	Payment of fourth interim dividend for year ending 31 December 2018

## Chairman's Statement

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**Peter Arthur**  
Chairman

### Background and overview

In 2017, economies across the world started recovering increasingly in harmony with one another. Despite the rising threat of protectionism, trade flows continued to improve and were a boost for export-oriented Asian companies. Lower taxes and deregulation in the US promised higher capital spending by companies that would benefit wage growth and improve overall consumption in the world's largest economy. The benign inflation environment globally also gave corporate earnings room for growth. All these were supportive of Asian equities, which had an impressive run in certain segments.

Against this backdrop, your Company's net asset value ("NAV") returned 16.0% in sterling terms, compared to the MSCI All Countries Asia Pacific ex Japan Index, which returned 25.4%. The Ordinary share price total return was 17.4% while the discount to NAV narrowed slightly to 7.5% at the year end. A strengthening of over 10% in sterling lowered the returns of assets held in Asian currencies and weakened the Company's performance.

At this point, I would like to highlight your Managers' disciplined approach of investing in businesses with the potential for growth in both capital and dividends over time, supported by sound balance sheets and steady cash flows.

It is worth placing the relative underperformance in the context of a few key factors driving the market run-up. Notably, the rally was very narrow and growth-driven, led by Chinese technology companies with the relatively low income or dividend-yielding stocks, such as those held in your Company, falling out of favour.

China was the best performing Asian market, buoyed by a positive macroeconomic outlook. The economy continued to advance steadily owing to Beijing's efforts to cool the property market and mitigate debt risks. The focus on slower but higher quality growth, and investor confidence that policymakers would be adroit enough to avoid a hard landing for the mainland economy, underpinned strength in domestic equities. While your Managers have had a

longstanding underweight to China for quality and corporate governance reasons, they have been undertaking much work on the ground and introduced your Company's first ever mainland-listed underlying holding – Shanghai-listed carmaker **SAIC Motor** – during the review period.

Notably, the mainland market's gains were concentrated in domestic internet companies, specifically Tencent, Alibaba, Baidu and NetEase. These companies are high-growth and trading at valuations reflective of their growth potential, with low priority placed on returning cash to investors. Given your Company's income orientation, such stocks are not held in the Company.

The Company gained from its exposure to the wider technology-led uplift through other technology holdings such as Singapore's **Venture Corporation**, which was the top stock contributor. The electronics manufacturing and services company has embedded itself along a wider stretch of its customers' value chains, delivering margin improvements as a result.

Another company that stood out in this regard during the year was Korea-based **Samsung Electronics** whose share price rose by 50% on the back of record quarterly profits. Your Managers have been pleased with their growing dialogue with the company regarding strategy and capital returns. Samsung also declared its biggest ever dividend payout, reflecting its increasing effort to further enhance shareholder returns.

Elsewhere, **Yum China's** stock closed 40% higher over the year on expectations of continued robust operating performance by the operator of the KFC and Pizza Hut restaurants in China. Your Managers have also had positive meetings with management. During the period, Yum China rewarded shareholders with its first quarterly dividend, while increasing its existing share buyback programme from about US\$300 million to US\$550 million.

More broadly, your Company's dividend distribution was supported by many of the companies in the underlying portfolio increasing their dividend payments on an absolute basis.

### Dividends

Four quarterly dividends were declared over 2017. They were each paid at an equal rate of 2.25p totalling 9.0p for the year, representing an overall increase of 2.86% for the year. Based upon the Ordinary share price of 218p the shares were yielding 4.1% at year end. In the year to 31 December 2017, after deducting the payment of the fourth interim dividend, about £1.1 million has been transferred to the Company's revenue reserves which now amount to £10.5 million (about 5.7p per Share).

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The International Monetary Fund (IMF) has upgraded its 2018 outlook for Asia alongside increasing global growth, with the pickup broadening across sectors and industries. All these point towards a sustained momentum in improving bottom lines and earnings growth for Asian companies, which should bode well for dividend growth. Your Company's portfolio remains fundamentally solid and well positioned. Across the underlying holdings, management has been level-headed, keeping a tight rein on costs to safeguard margins. This is likely to continue in the year ahead.

### Share Capital Management and Gearing

During the year the Company bought back 3,686,168 shares for treasury at a discount to the underlying exclusive of income NAV. Subsequent to the year end we have continued to buy back shares and a total of 894,010 further shares have been acquired. These buybacks are accretive to the Company's NAV and benefit all shareholders. The Company will continue selectively to buy back shares in the market, at the discretion of the Board, when the discount exceeds 5% of the NAV (ex income) over the longer term. At the time of writing the Ordinary Shares are trading at a discount of 7.7% to the prevailing NAV.

On 13 April 2017 the Company entered into a new unsecured three year £40 million multi currency revolving facility agreement with Scotiabank (Ireland) Designated Activity Company (the "New Facility") which replaced a £30 million unsecured facility. Under the terms of the New Facility the Company also has the option to increase the level of the commitment from £40 million to £60 million at any time, subject to the identification by the Manager of suitable investment opportunities and Lender credit approval.

On 2 March 2018 the Company entered into a new fully drawn three year £10,000,000 term facility with Scotiabank Europe PLC to replace a similar maturing facility. The Company's total gearing at the year end amounted to the equivalent of £35.4 million representing net gearing of 7.1% (2016 - 8.2%).

### Directorate

Andrey Berzins retired from the Board following the conclusion of the Annual General Meeting ("AGM") in May 2017 and we welcomed Mr Mark Florance as a new Director. Mark is a Singapore Permanent Resident with over 25 years' experience in corporate finance in Asia across most industry sectors, particularly energy, telecoms, resources, banking and property.

As part of the Board's on-going succession planning, I will be retiring from the Board at the AGM to be held in May 2018 and will not be seeking re-election. I would like to take this opportunity to thank my fellow Directors, past and present, for their support and assistance to me as Chairman since the launch of the Company in 2005. I have greatly enjoyed my period of service on the Board since launch during which the share price total return has been over 245% and the economies in Asia have flourished, not that I am seeking to take credit for either development! I am pleased to report that Charles Clarke has agreed to become Chairman following the AGM, Mr Florance will become Audit Committee Chairman and Ms Nowak will become Senior Independent Director.

The Nomination Committee has conducted an externally facilitated search for a new Director and I am pleased to advise that Ms Nicky McCabe has accepted an invitation to join the Board as an independent non executive Director with effect from the conclusion of the AGM on 16 May 2018. Nicky was formerly head of product and investment trusts at Fidelity International with experience across the full spectrum of asset management, back office operations, investment, distribution and product management.

I would like to take this opportunity to wish the members of your new Board every success in the careful stewardship of Aberdeen Asian Income Fund's affairs going forward on behalf of shareholders.

### Packaged Retail and Insurance-based Investment Products ("PRIIPS")

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

### AGM

Your Company's AGM will be held at 10.30 a.m. on 16 May 2018 at the Company's registered office, 1st Floor, Sir Walter Raleigh House, 48 – 50 Esplanade, St Helier, Jersey JE2 3QB and your Board welcomes shareholders attendance. If you are unable to attend the AGM, I would encourage you to vote by returning your proxy (or letter of

directions if you invest via the Aberdeen Savings Plans) which is enclosed with the Annual Report and financial statements.

### Changes to the Investment Policy

Your Board is taking the opportunity at this year's Annual General Meeting to seek your approval to some minor changes to the Company's investment policy. These changes are primarily to give the Manager greater flexibility in the range of instruments it may use to enhance returns from the portfolio (including the writing of put and call options) while maintaining a level of risk consistent with the risk profile of the Company.

Your Manager believes that some of the holdings within the Company's portfolio would be suitable underlying assets for the writing of put and call options, thereby providing a relatively low risk way of enhancing the returns from the portfolio. Your Manager would only write options where there is sufficient liquidity in the underlying stock within the portfolio.

As well as the change referred to above, your Board is proposing to update the number of stocks that the portfolio would typically comprise. Given that the portfolio has comprised closer to 60 holdings in recent years (being 57 at the year end) your Board, in consultation with the Manager, believes it would be appropriate to update the reference in the investment policy from "around 50 stocks" to "between 40 and 70 stocks" since this more closely resembles the present shape of the portfolio whilst retaining the flexibility for the Manager in constructing the portfolio in the future.

Whilst your Board is satisfied that neither of these changes represent a significant change in the way the Company's portfolio is managed, the changes may be deemed material under the UKLA's Listing Rules and therefore an ordinary resolution to make those changes is being proposed at the AGM in May.

The proposed changes to the Investment Policy are highlighted in full in the Appendix on pages 84 and 85.

### Ownership of Manager

The Directors have received regular updates from the Manager on the progress of integration following the merger between Aberdeen Asset Management PLC and Standard Life plc that became effective in August 2017. The Board is reassured to note that the existing management and client servicing teams are unaffected by the merger and the Board will remain vigilant to ensure that the excellent service received from the Manager hitherto continues in the future.

### Outlook

While the past year has been a good one for Asian equities, there are now doubts about how long this momentum can last. This is already evident in the recent market volatility. Global monetary policy remains loose for now, but some central banks are starting to withdraw stimulus and we have seen previously how such concerns about rate hikes can affect confidence and result in a reversal of flows into Asian equity markets. Still, there are silver linings in such a scenario, as markets take a breather to digest their gains. The ensuing market gyrations may also result in mispricing, which presents astute investors with buying opportunities.

The current economic backdrop appears sustainable, with global growth expected to continue on its present course. Your Board has seen this come through in several of the Company's underlying holdings. Companies' sales have improved alongside a recovery in domestic demand. Profits are also rising from tighter cost discipline and improving balance sheets. This gives management the ability to increase dividends.

As such, your Board recognises your Manager's stock-picking ability and the region's longer-term prospects. Asia is expected to remain a major driver of global growth, with China and India as the twin engines. Inflation remains subdued, and will give corporates the leeway to strengthen their fundamentals. Structural reform and demographics remain supportive of consumption, and growth is broadening which should help sustain the increase in earnings. In the longer term, the region also has large demographic dividends to be reaped, and this will prove beneficial for your Company's holdings.

My successor as Chairman, Charles Clarke, will be reporting to you in the Half Yearly Report to 30 June 2018, which will be issued to shareholders around the end of August. Those shareholders who wish to keep up to date with the Company's developments between formal reports may wish to view the monthly factsheet and other useful information at [asian-income.co.uk](http://asian-income.co.uk).

**Peter Arthur**  
Chairman  
6 April 2018

## Strategic Report

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

The Company maintains a diversified portfolio of investments, typically comprising in the region of 50 holdings (but without restricting the Company from holding a more or less concentrated portfolio from time to time).



View from Aberdeen's Hong Kong office

## Overview of Strategy

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### Business Model

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

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

### Investment Policy

*Shareholders' attention is drawn to the proposed amendments to the Company's Investment Policy detailed in the Chairman's Statement on page 6 and contained in the Appendix on pages 84 and 85.*

### Asset Allocation

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

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

The Company's investment policy is flexible, enabling it to invest in all types of securities, including equity shares, preference shares, debt, convertible securities, warrants and other equity-related securities.

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

The Company invests in small, mid and large capitalisation companies. The Company's policy is not to acquire securities that are unquoted or unlisted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be quoted or listed if the Investment Manager considers this to be appropriate.

Typically, the portfolio will comprise around 50 holdings (but without restricting the Company from holding a more or less concentrated portfolio in the future). At 31 December 2017 there were 57 holdings in the portfolio (2016 – 56).

### Risk Diversification

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

In addition, the Company will not:

- invest, either directly or indirectly, or lend more than 20% of its Total Assets to any single underlying issuer (including the underlying issuer's subsidiaries or affiliates), provided that this restriction does not apply to cash deposits awaiting investment;
- invest more than 20% of its Total Assets in other collective investment undertakings (open-ended or closed-ended);
- expose more than 20% of its Total Assets to the creditworthiness or solvency of any one counterparty (including the counterparty's subsidiaries or affiliates);
- invest in physical commodities;
- enter into derivative transactions for speculative purposes;
- take legal or management control of any of its investee companies; or
- conduct any significant trading activity.

The Company may invest in derivatives, financial instruments, money market instruments and currencies solely for the purpose of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the Company's investments, including any technique or instrument used to provide protection against foreign exchange and credit risks).

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

### Gearing Policy

The Board is responsible for determining the gearing strategy for the Company. The Board has restricted the maximum level of gearing to 25% of net assets although, in normal market conditions, the Company is unlikely to take out gearing in excess of 15% of net assets. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where this is considered appropriate. Borrowings are generally short term, but the Board may from time to time determine to incur longer term borrowings

where it is believed to be in the Company's best interests to do so. Particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy.

The percentage investment and gearing limits set out under this sub-heading "Investment Policy" are only applied at the time that the relevant investment is made or borrowing is incurred.

In the event of any breach of the Company's investment policy, shareholders will be informed of the actions to be taken by the Investment Manager by an announcement issued through a Regulatory Information Service or a notice sent to shareholders at their registered addresses in accordance with the Articles of Association.

The Company may only make material changes to its investment policy (including the level of gearing set by the Board) with the approval of shareholders (in the form of an ordinary resolution). In addition, any changes to the Company's investment objective or policy will require the

prior approval of the Financial Conduct Authority as well as prior consent of the Jersey Financial Services Commission ("JFSC") to the extent that the changes materially affect the import of the information previously supplied in connection with its approval under Jersey Funds Law or are contrary to the terms of the Jersey Collective Investment Funds laws.

### Duration

The Company does not have a fixed life.

### Comparative Indices

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

### Key Performance Indicators (KPIs)

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

KPI	Description
<b>Dividend Payments per Ordinary Share</b>	The Board's aim is to seek to grow the Company's dividends over time. Dividends paid over the past 10 years are set out on page 14.
<b>Performance and NAV</b>	The Board considers the Company's NAV total return figures to be the best indicator of performance over time and these are therefore the main indicators of performance used by the Board. A graph showing the total NAV return against the MSCI AC Asia Pac. (ex Japan) Index is shown on page 14.
<b>Performance against MSCI AC Asia Pac. (ex Japan) Index</b>	The Board measures Share Price and NAV performance against the MSCI AC Asia Pac. (ex Japan) Index on a total return basis. Graphs showing performance are shown on page 14. The Board also monitors performance relative to competitor investment companies over a range of time periods, taking into consideration the differing investment policies and objectives of those companies.
<b>Discount/Premium to NAV</b>	The discount/premium relative to the NAV per share represented by the share price is closely monitored by the Board. The objective is to avoid large fluctuations in the discount/premium relative to similar investment companies investing in the region by the use of share buy backs or the issuance of new shares, subject to market conditions. A graph showing the share price premium/(discount) relative to the NAV is also shown on page 14.
<b>Ongoing Charges Ratio</b>	The Board monitors the Company's operating costs carefully. Ongoing charges for the year and previous year are disclosed on page 13.
<b>Gearing</b>	The Board ensures that gearing is kept within the Board's guidelines to the Manager.

## Risk Management

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

### Description

**Investment strategy and objectives** – the setting of an unattractive strategic proposition to the market and the failure to adapt to changes in investor demand may lead to poor performance, the Company becoming unattractive to investors, a decreased demand for shares and a widening discount.

**Investment portfolio, investment management** – investing outside of the investment restrictions and guidelines set by the Board could result in poor performance and an inability to meet the Company's objectives.

**Financial obligations** - the ability of the Company to meet its financial obligations, or increasing the level of gearing, could result in the Company becoming over-g geared or unable to take advantage of potential opportunities and result in a loss of value to the Company's Ordinary Shares.

**Financial and regulatory** – the financial risks associated with the portfolio could result in losses to the Company. In addition, failure to comply with relevant regulation (including Jersey Company Law, the Financial Services and Markets Act, the Alternative Investment Fund Managers Directive, Accounting Standards and the FCA's Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules) may have an impact on the Company.

**Operational** – the Company is dependent on third parties for the provision of all systems and services (in particular, those of the Standard Life Aberdeen Group) and any control failures and gaps in these systems and services could result in a loss or damage to the Company.

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

### Mitigating Action

The Board keeps the investment objective and policy as well as the level of discount and/or premium at which the Company's Ordinary Shares trade under review. In particular there are periodic strategy discussions where the Board reviews the Investment Manager's investment processes, analyses the work of Aberdeen Standard Investments' marketing and investor relations teams and receives reports on the market from the Broker. In particular, the Board is updated at each Board meeting on the make up of and any movements in the shareholder register. Details of the Company's discount control mechanism are disclosed in the Directors' Report on page 35.

The Board sets, and monitors, its investment restrictions and guidelines, and receives regular reports which include performance reporting on the implementation of the investment policy, the investment process and application of the Board guidelines. The Investment Manager is represented at all Board meetings.

The Board sets a gearing limit and receives regular updates on the actual gearing levels the Company has reached from the Investment Manager together with the assets and liabilities of the Company and reviews these at each Board meeting.

The financial risks associated with the Company include market risk, liquidity risk and credit risk, all of which are mitigated in conjunction with the Investment Manager. Further details of the steps taken to mitigate the financial risks associated with the portfolio are set out in note 17 to the financial statements. The Board relies upon the Standard Life Aberdeen Group to ensure the Company's compliance with applicable law and regulations and from time to time employs external advisers to advise on specific concerns.

The Board monitors operational risk and as such receives internal controls and risk management reports from the Investment Manager at each Board meeting. It also receives assurances from all its significant service providers, as well as back to back assurance from the Investment Manager at least annually. Further details of the internal controls which are in place are set out in the Directors' Report on pages 33 and 34.

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

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## Promoting the Company

The Board recognises the importance of communicating the long-term attractions of the Company to prospective investors both for improving liquidity and enhancing the value and rating of the Company's Ordinary Shares. The Board believes an effective way to achieve this is through subscription to and participation in the promotional programme run by the Standard Life Aberdeen Group on behalf of a number of investment companies under its management. The Company also supports the Standard Life Aberdeen Group's investor relations programme which involves regional roadshows and promotional and public relations campaigns. The purpose of these initiatives is both to communicate effectively with existing shareholders and to gain new shareholders with the aim of improving liquidity and enhancing the value and rating of the Company's Shares. The Company's financial contribution to the programmes is matched by the Standard Life Aberdeen Group. The Group's marketing team reports quarterly to the Board giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make up of that register.

## Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow the Board to fulfil its obligations. The Board also recognises the benefits, and is supportive, of the principle of diversity in its recruitment of new Board members, including diversity of thought, location and background. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. The Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment and therefore the Company does not consider it appropriate to set diversity targets. At 31 December 2017, the Company did not have any employees and there were five male Directors and one female Director on the Board. With effect from the close of business of the AGM to be held on 16 May 2018 there will be four male Directors and two female Directors on the Board.

## Environmental, Social and Human Rights Issues

The Company has no employees as management of the assets is delegated to Aberdeen Private Wealth Management Limited. There are therefore no disclosures to be made in respect of employees.

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

The Company, therefore, is not required to make a slavery and human trafficking statement.

## Global Greenhouse Gas Emissions

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

## Socially Responsible Investment Policy

The Company supports the UK's Stewardship Code, and seeks to play its role in supporting good stewardship of the companies in which it invests. While the delivery of stewardship activities has been delegated to the Manager, the Board acknowledges its role in setting the tone for the effective delivery of stewardship on the Company's behalf. Further details on stewardship may be found on page 34.

## Viability Statement

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

- The principal risks detailed in the Strategic Report on page 10;
- The ongoing relevance of the Company's investment objective in the current environment;
- The demand for the Company's Shares evidenced by the historical level of premium and/or discount;
- The level of income generated by the Company;
- The liquidity of the Company's portfolio; and,
- The flexibility of the Company's £40m and £10m loan facilities maturing in April 2020 and March 2021, including the related covenants and the Company successfully renegotiating loan terms over this time horizon. In advance of their maturities and subject to market conditions at the time the Directors will aim to renegotiate the loan facilities. If this is not possible then the Company will repay the loans using cash raised from the sale of investments.

Accordingly, taking into account the Company's current position, the fact that the Company's investments are mostly liquid and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years

from the date of this Report. In making this assessment, the Board has considered that matters such as significant economic or stock market volatility, a substantial reduction in the liquidity of the portfolio, or changes in investor sentiment could have an impact on its assessment of the Company's prospects and viability in the future.

### Future

Many of the non-performance related trends likely to affect the Company in the future are common across all closed ended investment companies, such as the attractiveness of investment companies as investment vehicles, the impact of regulatory changes (including the MiFID II and Packaged Retail Investment and Insurance Products Regulations) and changes to the recently implemented pensions and savings market in the UK. These factors need to be viewed alongside the outlook for the Company, both generally and specifically, in relation to the portfolio. The Board's view on the general outlook for the Company can be found in my Chairman's Statement on page 6 whilst the Investment Manager's views on the outlook for the portfolio are included on pages 16 and 17.

**Peter Arthur**  
Chairman  
6 April 2018

## Strategic Report

# Results

### Financial Highlights (capital return)

	31 December 2017	31 December 2016	% change
Total assets (see definition on page 79)	£467,255,000	£434,002,000	+7.7
Total equity shareholders' funds (net assets)	£431,869,000	£396,028,000	+9.1
Market capitalisation	£399,555,000	£363,186,000	+10.0
Share price per Ordinary share (mid market)	218.00p	194.25p	+12.2
Net asset value per Ordinary share	235.63p	211.82p	+11.2
Discount to net asset value per Ordinary share	7.5%	8.3%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis)	787.85	646.06	+21.9
MSCI AC Asia Pacific ex Japan High Dividend Yield Index (currency adjusted)	4,121.99	3,758.85	+9.7
Net gearing <sup>A</sup>	7.1%	8.2%	
Ongoing charges ratio <sup>B</sup>	1.09%	1.19%	
<b>Dividend and earnings</b>			
Total return per Ordinary share <sup>C</sup>	33.14p	49.12p	
Revenue return per Ordinary share <sup>C</sup>	9.58p	9.15p	+4.7
Dividends per Ordinary share <sup>D</sup>	9.00p	8.75p	+2.9
Dividend cover per Ordinary share	1.06	1.05	
Revenue reserves <sup>E</sup>	£10,478,000	£9,349,000	
Yield <sup>F</sup>	4.1%	4.5%	

<sup>A</sup> Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition of "Net Gearing" on page 79).

<sup>B</sup> Ongoing charges have been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses divided by the average cum income net asset value throughout the year.

<sup>C</sup> Measures the relevant earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).

<sup>D</sup> The figure for dividends reflects the years in which they were earned (see note 8 on pages 57 and 58).

<sup>E</sup> The revenue reserves figure takes account of the fourth interim dividend amounting to £4,119,000 (2016 – fourth interim amounting to £5,136,000).

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

### Performance (total return)

	1 year % return	3 year % return	5 year % return	Since launch <sup>A</sup> % return
Share price (Ordinary)	+17.4	+25.4	+21.5	+245.8
Net asset value	+16.0	+35.9	+42.4	+278.7
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	+25.4	+54.0	+71.6	+250.4
MSCI AC Asia Pacific ex Japan High Dividend Yield Index (currency adjusted)	+15.4	+33.6	+49.2	+281.2

Total return represents the capital return plus dividends reinvested. Data to support the returns can be found in note 22 on page 71.

<sup>A</sup> Launch being 20 December 2005.

### Dividends per Ordinary share

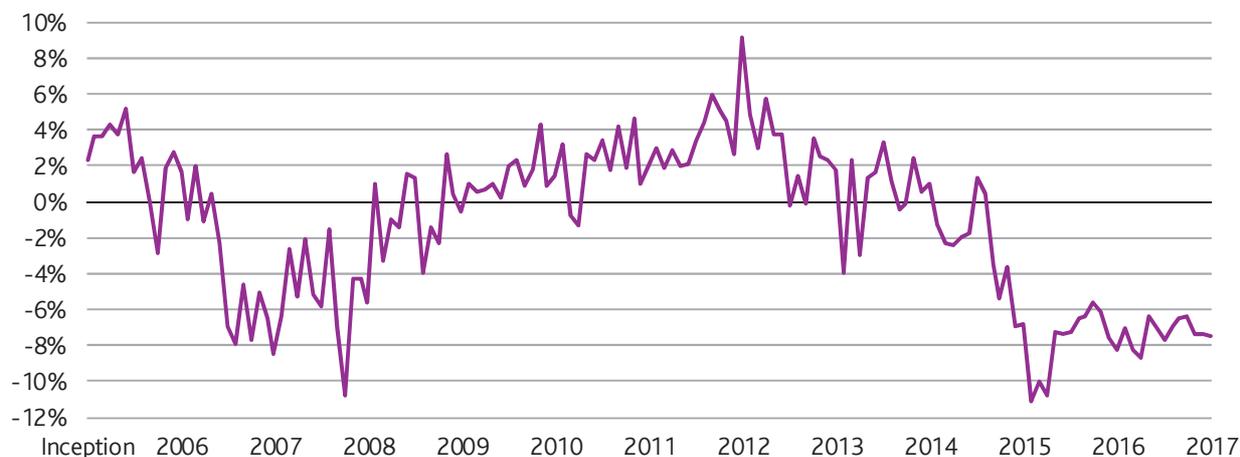
	Rate	xd date	Record date	Payment date
First interim 2017	2.25p	27 April 2017	28 April 2017	26 May 2017
Second interim 2017	2.25p	20 July 2017	21 July 2017	18 August 2017
Third interim 2017	2.25p	19 October 2017	20 October 2017	17 November 2017
Fourth interim 2017	2.25p	18 January 2018	19 January 2018	20 February 2018
<b>2017</b>	<b>9.00p</b>			
First interim 2016	2.00p	21 April 2016	22 April 2016	23 May 2016
Second interim 2016	2.00p	21 July 2016	22 July 2016	19 August 2016
Third interim 2016	2.00p	20 October 2016	21 October 2016	17 November 2016
Fourth interim 2016	2.75p	19 January 2017	20 January 2017	20 February 2017
<b>2016</b>	<b>8.75p</b>			

# Strategic Report

## Performance

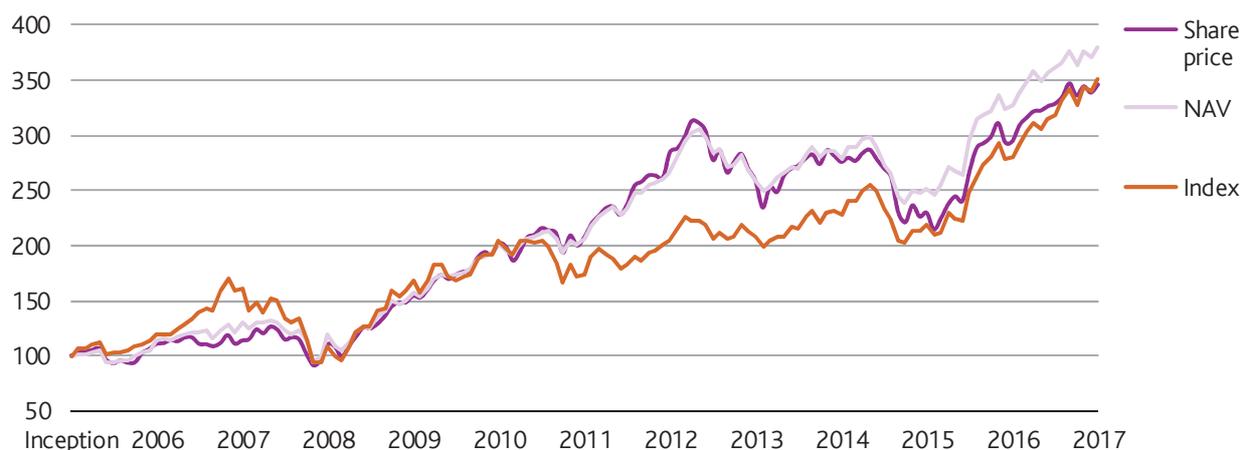
### Share Price Premium/(Discount) to Diluted NAV

Launch (20 December 2005) to 31 December 2017



### Total Return of Ordinary Share Price and Ordinary Share NAV vs MSCI AC Asia Pacific ex Japan Index

Launch (20 December 2005) to 31 December 2017 (rebased to 100 as at 20/12/05)



### Ten Year Financial Record

Year to 31 December	2008	2009	2010	2011	2012 <sup>A</sup>	2013	2014	2015	2016	2017
<b>Total revenue (£'000)</b>	7,965	7,680	10,285	11,878	15,052	18,736	19,333	21,216	20,947	21,758
<b>Per Ordinary share (p)</b>										
Revenue return	5.69	5.54	7.31	7.44	8.31	8.23	8.24	9.11	9.15	9.58
Total return	(10.80)	37.47	43.52	3.36	46.87	(6.69)	14.17	(18.86)	49.12	33.14
Dividends payable	4.75	5.00	6.00	6.75	7.15	7.90	8.00	8.50	8.75	9.00
<b>Net asset value per Ordinary share (p)</b>										
Basic	108.01	140.63	176.35	166.77	205.90	191.56	197.84	170.58	211.82	235.63
Diluted	108.01	137.19	167.85	164.78	203.92	n/a	n/a	n/a	n/a	n/a
<b>Equity shareholders' funds (£'000)</b>	117,129	154,398	208,154	231,946	311,287	371,117	384,868	329,432	396,028	431,869

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

# Investment Manager's Review

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## Overview

Asian equities rose sharply in the year under review in tandem with most global stockmarkets in a period that was marked by low volatility and underpinned by a synchronised global economic upturn. Apart from Australia and Malaysia, regional stockmarkets posted double-digit gains for the year, led by China, which rose by more than 40%.

Sustaining the advance in stock prices was a combination of favourable factors, such as better earnings growth amid a recovery in domestic demand and expectations of a more business-friendly backdrop, fuelled by US tax cuts and still-accommodative fiscal and monetary policy in the region. This was in spite of increasing political turmoil, particularly with US President Donald Trump's America First ideology stoking populism across the West. Asia's export-driven economies continued to benefit from steady trade flows despite fears of trade wars resulting from Trump's protectionist rhetoric. Inflation stayed benign in the face of the US Federal Reserve's interest rate normalisation and a recovery in the oil price that saw crude approach US\$70 a barrel.

## Performance Review

Your Company's underlying portfolio achieved solid absolute returns during the review period. The NAV rose by 16.0% on a total return basis in sterling terms and the share price rose by 17.4%, compared to the MSCI AC Asia Pacific ex Japan Index's gain of 25.4%. The portfolio has an income focus, investing in well-run quality companies that have potential for growth in both capital and dividends over time, whereas the comparative index captures a much larger pool of companies across Asia.

During the year, Chinese stocks did very well, supported by healthy growth data, along with MSCI's decision to include A-shares to its influential indices and a relentless rise in Chinese internet stocks. We have been building our position steadily in the country, as businesses mature and start to pay dividends, alongside an economy that is seeing stable and higher-quality growth. While corporate governance standards may still pale in comparison to other markets in the region, we have seen improvements and are becoming more comfortable with a growing number of Chinese companies, after having undertaken a lot of groundwork over the years. We have found interesting companies with robust business models that are hitched to the domestic consumption growth story and generating steady cash flows that support dividends. Among these was Shanghai-listed **SAIC Motor Corporation**, the first mainland-listed equity investment using Stock Connect that we initiated in the first half of the review year. The company has good product positioning domestically and generates substantial cash from its joint ventures with Volkswagen and General Motors. SAIC has

rewarded shareholders by increasing its dividend payout policy, which has kept its yield above 5% despite a 30% increase in share price in local currency terms. It is worth noting that while Chinese lenders generally offer better yields, the banking sector remains heavily regulated.

In China's market rally, only four technology companies accounted for the bulk of the gains, namely Tencent, Alibaba, Baidu and NetEase. We do not have exposure to these stocks because most of these companies are still in the growth phase, ploughing their excess cash back into their businesses rather than paying out dividends.

Your Company's holdings in other segments in the technology sector, specifically Singapore-based **Venture Corp** and Korea's **Samsung Electronics**, performed solidly, mitigating the drag on performance from not holding the Chinese internet stocks. In particular, Venture, an electronics manufacturing and services company, achieved consistently good results on the back of tight cost controls and buoyant sales from high value-added segments, such as test and measurement. Notably, the performance of its share price in 2017 superseded even that of Tencent, no mean feat for a mid-sized company and highlighting its ability to generate good returns despite the lack of relative size. Given Venture's steep run-up, we took the opportunity to take some profits over the review period.

Samsung, meanwhile, is a market leader in semiconductor chips with competitive positions in mobile phones and TFT-LCDs. In 2017, it rewarded shareholders with its biggest ever dividend payout on the back of record quarterly profits. But it also had its fair share of challenges, as family scion Lee Jae-yong was convicted and jailed for bribery while fears of oversupply also played a hand in the November sell-off. However, the depth of Samsung's management team held the company in good stead. We maintained our engagement with management, which provided us a measure of comfort in the company.

We think Samsung remains well-positioned for the longer term, having made great strides in becoming more institutional through the past decade. Even as growth in the smartphone market levels off, it is well placed to reap the benefits from the evolving demand for semiconductor chips and batteries used in electric vehicles, as well as emerging trends like digitalisation and the Internet of Things. We have also been encouraged by its increasingly shareholder-friendly policies, which has seen the company communicate more with the market and lift dividends and buybacks that have further enhanced shareholder returns.

Elsewhere, Singapore lenders did well, with **Oversea-Chinese Banking Corp (OCBC)** and **DBS Group** appearing to be past the worst of the provisioning cycle for their oil and gas loan

exposure. Both lenders are poised to benefit from a broad economic upturn, boosted by the increasing likelihood of rising interest rates.

Elsewhere, our engagement with **HSBC** has been fruitful, with the lender making positive strides in succession planning and board renewal. It posted its first quarterly results since Mark Tucker took over as chairman. Its focus on Asia paid off, with the region accounting for more than 70% of third-quarter profits. Although it may be premature to ascribe the performance to the new leadership, the improvement in earnings came despite rising costs associated with business expansion. Investors will be keen to find out how the chairman and the new CEO, John Flint, will shape the group's strategy. We are optimistic that Mr Flint's breadth and depth of experience within the bank should prove beneficial, with his appointment suggesting continuity rather than transformational change. We, thus, expect the bank to maintain its focus on Asia, deepening its ties, while augmenting its wealth and retail franchises through investments in technology.

Meanwhile, our holdings in Australian banks capped gains as they faced more stringent regulatory scrutiny. The government initiated a Royal Commission to look into misconduct in the sector, dampening the banks' share prices. We hold the three of the big-four local banks – **ANZ**, **Commonwealth Bank of Australia** and **Westpac Banking Corp.** However, we continue to see value in these lenders, given their exposure to the domestic economy, which should benefit from the recent recovery in commodity prices on the back of the global reflationary theme, and favourable market dynamics of disciplined supply pitted against firm demand.

### Portfolio Activity

In the first half of 2017, besides the introduction of **SAIC** mentioned above, we also initiated a small position in **City Developments' (CDL)** non-redeemable convertible preference shares, which offer a 3.9% coupon and trade at a significant discount to intrinsic value with the possibility of conversion into discounted ordinary shares in the future. We have long followed CDL and its hospitality trust is already an underlying holding in your Company.

Against this, we reduced exposure to **UOB** and **OCBC** on relative strength and exited Thailand's **BEC World**, on concerns that its strategic shift to digital could weigh on earnings and dividends during the transition. We sold bonds issued by industrial gases company **Yingde** close to par at the start of the year, following an unconditional takeover bid from private equity firm **PAG**. After extensive engagement, we agreed with the **Yingde** board that valuations based on **PAG's** cash offer were fair, given the company's current financial status and the challenging environment faced by **Yingde's** customers, which are primarily in the steel industry.

We continually assess the dividend-paying capacity of our holdings and on this front, we reduced our exposure to several holdings on concerns over their ability to pay dividends. One of these was Thai-listed electricity generator **EGCO**, as capital expenditure requirements started to erode its free cash flow. We exited coal miner **Indo Tambangraya Megah**, which we thought would be compelled to spend more on future growth, given the short lifespan of its coal reserve. We also sold Malaysian publishing company **Star Media**, as advertising expenditure remains subdued on the back of falling demand for traditional print publications.

With the proceeds, we initiated holdings with robust business models and earnings growth that support attractive dividend yields. These included **Indocement**, **ComfortDelGro** and **Convenience Retail Asia**. **Indocement** is a leading cement maker in Indonesia and a proxy for government spending in infrastructure and growth in the property sector, while Singapore-based **ComfortDelGro** operates buses and taxis in Australia, China and the UK, in addition to its home market. Meanwhile, **Convenience Retail Asia** runs the **Circle K** convenience store franchise in Hong Kong and South Asia. Its management remains disciplined about achieving growth targets and paying out excess capital to shareholders. In Malaysia, we looked to enhance the portfolio's yields through a small position in **SP Setia**, a property developer with both domestic and overseas projects, as well as **Aeon Credit Services**, a subsidiary of leading Japanese consumer lender **Aeon Group**.

In addition, we continued to build our position in **SAIC Motor** on attractive valuations and Australian REIT **Viva Energy** on its relative weakness, despite a unique portfolio of income-generating assets which underpins its ability to pay dividends over the longer term.

### Outlook

Market volatility has returned at the time of writing, with major world markets roiled by the spectre of worsening inflation which could trigger a rise in interest rates by key central banks. There is a sense of foreboding that a further pullback by stock markets may be on the cards, particularly in light of the lingering risks, from rising protectionism giving way to full-blown trade wars, or an acceleration in the normalisation of monetary policy and the possibility of policy missteps by central bankers.

However, the fundamentals that have underpinned the rise in share prices over the past year have not changed. For example, we believe that China, which could see a moderation in economic growth in 2018, should continue to lift the region. Structural reform and favourable demographics also help sustain overall consumption across Asia. The broadening economic growth should fuel healthier earnings, which in turn, should translate into companies

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being able to pay out better dividends. Although valuations have climbed in the past year, Asian equities remain attractive relative to their counterparts in developed markets, both in the US and Europe. In terms of strategy, we remain focused on quality and value, the hallmarks of the Company's underlying portfolio.

**Aberdeen Asset Management Asia Limited**

6 April 2018

## Portfolio

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





玲偉珍

錢幣

NAIL  
ALCOVE

足浴

風波庄酒家

Chinese  
Food

금강원

Gum Gang Won  
金江園

# Ten Largest Investments

As at 31 December 2017

Company	Industry	Country	Valuation 2017 £'000	Total assets <sup>A</sup> %	Valuation 2016 <sup>B</sup> £'000
<b>Venture Corporation</b>					
Provides contract manufacturing services to electronics companies. The company's major segments include Printing, Imaging, Networking and Communications. It has been increasing its revenue contribution from Original Design Manufacturing.	Electronic Equipment, Instruments & Components	Singapore	25,301	5.4	15,438
<b>HSBC Holdings</b>					
One of the world's largest global banking and financial services institutions with its roots in, and the majority of its earnings derived from, Asia. After several poor acquisitions in Europe and the USA, it has been refocusing back to its origins.	Banks	Hong Kong	17,774	3.8	15,998
<b>Taiwan Semiconductor Manufacturing Company</b>					
As the world's largest pure-play semiconductor manufacturer, TSMC provides a full range of integrated foundry services for its clients, along with a robust balance sheet and good cash generation that enables it to keep investing in cutting-edge technology and innovation.	Semiconductors & Semiconductor Equipment	Taiwan	17,564	3.8	14,033
<b>Samsung Electronics (Pref)</b>					
A leading semiconductor company which is also a major player in mobile phones and consumer electronics.	Technology Hardware Storage & Peripherals	South Korea	15,405	3.3	7,868
<b>Oversea-Chinese Banking Corporation</b>					
A well-managed Singapore bank with a strong capital base and impressive cost-to-income ratio, which has recently acquired a mid-sized bank in Hong Kong. In addition to its core banking activities it has sizeable wealth management and life assurance divisions.	Banks	Singapore	15,313	3.3	14,013
<b>Jardine Cycle &amp; Carriage</b>					
The bulk of earnings are from Indonesian unit Astra International but the company has been diversifying in Southeast Asia, with stakes in Thailand's Siam City Cement and Vietnam's REE Corp. Astra International has leading positions in the two- and four-wheeler market, palm oil sector and heavy equipment industry.	Distributors	Singapore	12,520	2.7	12,857
<b>Singapore Telecommunications</b>					
A regional telecommunications company, with a mobile subscriber base of more than 285 million customers from its own operations in Singapore and Australia, and regional associates in India, Philippines, Thailand, Indonesia, Pakistan and Bangladesh.	Diversified Telecommunication Services	Singapore	12,247	2.6	13,866
<b>Heineken Malaysia</b>					
One of two beer producers in Malaysia, the company enjoys strong brand equity from Tiger (mass market), Heineken (premium segment) and Guinness (premium/malt).	Beverages	Malaysia	12,006	2.6	10,276
<b>Tesco Lotus Retail Growth</b>					
Anchored by Thailand's largest hypermarket operator Tesco Lotus, it invests in retail malls and holds a solid portfolio, principally in freehold assets. It offers an attractive yield and stands to benefit from the recovery in Thai retail spending.	Equity Real Estate Investment Trusts	Thailand	11,733	2.5	11,487
<b>AusNet Services</b>					
AusNet services, owns and operates electricity transmission and electricity and gas distribution assets in Victoria, Australia.	Electric Utilities	Australia	11,687	2.5	10,390
<b>Top ten investments</b>			<b>151,550</b>	<b>32.5</b>	

Portfolio

## Other Investments

As at 31 December 2017

Company	Sector	Country	Valuation 2017 £'000	Total assets <sup>A</sup> %	Valuation 2016 <sup>B</sup> £'000
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	11,561	2.5	12,915
China Mobile	Wireless Telecommunication Services	China	11,166	2.4	11,748
Hana Microelectronics	Electronic Equipment, Instruments & Components	Thailand	11,030	2.4	9,748
DBS Group	Banks	Singapore	10,893	2.3	9,261
Spark New Zealand	Diversified Telecommunication Services	New Zealand	10,662	2.3	10,807
Singapore Technologies Engineering	Aerospace & Defence	Singapore	10,247	2.2	10,250
Viva Energy REIT	Equity Real Estate Investment Trusts	Australia	9,670	2.1	6,798
Amada Holdings	Machinery	Japan	9,205	2.0	6,956
Commonwealth Bank of Australia	Banks	Australia	9,165	2.0	11,364
Australia & New Zealand Bank Group	Banks	Australia	9,093	1.9	10,564
Top twenty investments			254,242	54.6	
SAIC Motor 'A'	Automobiles	China	8,854	1.9	–
CDL Hospitality Trust	Equity Real Estate Investment Trusts	Singapore	8,559	1.8	5,740
Scentre Group	Equity Real Estate Investment Trusts	Australia	8,388	1.8	9,354
Rio Tinto <sup>C</sup>	Metals & Mining	Australia	8,278	1.8	6,633
Yum China Holdings	Hotels, Restaurants and leisure	China	7,986	1.7	4,333
Hang Lung Properties	Real Estate Management & Development	Hong Kong	7,859	1.7	5,123
Swire Pacific <sup>D</sup>	Real Estate Management & Development	Hong Kong	7,730	1.7	10,516
Westpac Banking Corporation	Banks	Australia	7,510	1.6	6,684
Far East Hospitality Trust	Equity Real Estate Investment Trusts	Singapore	7,433	1.6	6,229
Keppel REIT	Equity Real Estate Investment Trusts	Singapore	7,393	1.6	5,770
Top thirty investments			334,232	71.8	
Shopping Centres Australasia	Equity Real Estate Investment Trusts	Australia	7,247	1.5	6,063
United Overseas Bank	Banks	Singapore	6,969	1.5	8,477
Advanced Information Services	Wireless Telecommunication Services	Thailand	6,866	1.5	6,585
Siam Cement <sup>E</sup>	Construction Materials	Thailand	6,685	1.4	6,832
SP Setia <sup>F</sup>	Real Estate Management & Development	Malaysia	6,294	1.3	–
South32 <sup>C</sup>	Metals & Mining	Australia	6,186	1.3	4,023
Standard Chartered	Banks	United Kingdom	6,184	1.3	5,261
Giordano International	Speciality Retail	Hong Kong	6,153	1.3	6,825
Japan Tobacco	Tobacco	Japan	6,057	1.3	3,863
Okinawa Cellular Telephone	Wireless Telecommunication Services	Japan	5,529	1.2	5,006
Top forty investments			398,402	85.4	

Portfolio

## Other Investments continued

As at 31 December 2017

Company	Sector	Country	Valuation	Total	Valuation
			2017	assets <sup>A</sup>	2016 <sup>B</sup>
			£'000	%	£'000
Indocement Tunggal Prakarsa	Construction Materials	Indonesia	4,839	1.0	–
Hong Leong Finance	Consumer Finance	Singapore	4,636	1.0	3,680
ASX	Capital Markets	Australia	4,626	1.0	4,221
Kingmaker Footwear	Textiles, Apparel & Luxury Goods	Hong Kong	4,620	1.0	5,935
Westfield Corporation	Equity Real Estate Investment Trusts	Australia	4,573	1.0	2,794
Green Dragon Gas <sup>C</sup>	Oil, Gas & Consumable Fuels	China	4,425	0.9	4,916
ICICI Bank <sup>C</sup>	Banks	India	4,300	0.9	4,549
ComfortDelGro	Road & Rail	Singapore	4,135	0.9	–
AEON Credit Service	Consumer Finance	Malaysia	3,982	0.8	–
Electricity Generating	Independent Power and Renewable Electricity Producers	Thailand	3,975	0.8	8,927
Top fifty investments			442,513	94.7	
Texwinca Holdings	Textiles, Apparel & Luxury Goods	Hong Kong	3,805	0.8	4,284
DFCC Bank <sup>C</sup>	Banks	Sri Lanka	3,769	0.8	4,232
British American Tobacco Malaysia	Tobacco	Malaysia	3,590	0.8	8,760
Lafarge Malaysia	Construction Materials	Malaysia	3,500	0.7	2,212
Convenience Retail	Food & Drug Retailers	Hong Kong	3,285	0.7	–
AEON Credit Service <sup>C</sup>	Consumer Finance	Malaysia	874	0.2	–
City Developments (Pref)	Real Estate Management & Development	Singapore	296	0.1	–
<b>Total value of investments</b>			<b>461,632</b>	<b>98.8</b>	
<b>Net current assets<sup>H</sup></b>			<b>5,623</b>	<b>1.2</b>	
<b>Total assets<sup>A</sup></b>			<b>467,255</b>	<b>100.0</b>	

<sup>A</sup> See definition on page 79.

<sup>B</sup> Purchases and/or sales effected during the year may result in 2016 and 2017 values not being directly comparable.

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

<sup>D</sup> Holding includes investment in Class A (£1,196,000) and Class B (£6,534,000) shares.

<sup>E</sup> Holding includes investment in common (£2,525,000) and non-voting depositary receipt (£4,160,000) lines.

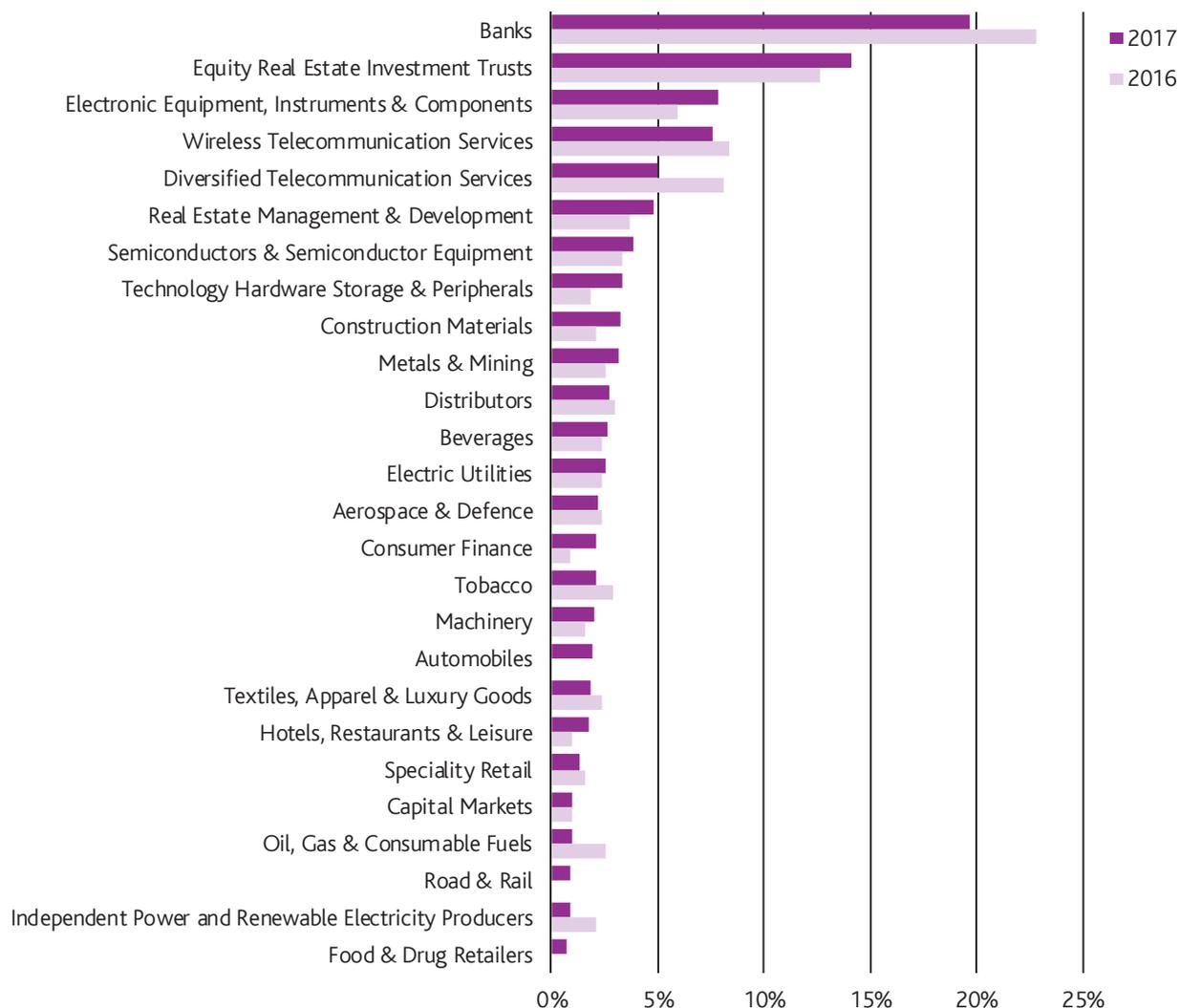
<sup>F</sup> Holding includes investment in Rights Issue 1 (£683,000), Rights Issue 2 (£489,000) and Common Stock (£5,122,000).

<sup>G</sup> Corporate bonds.

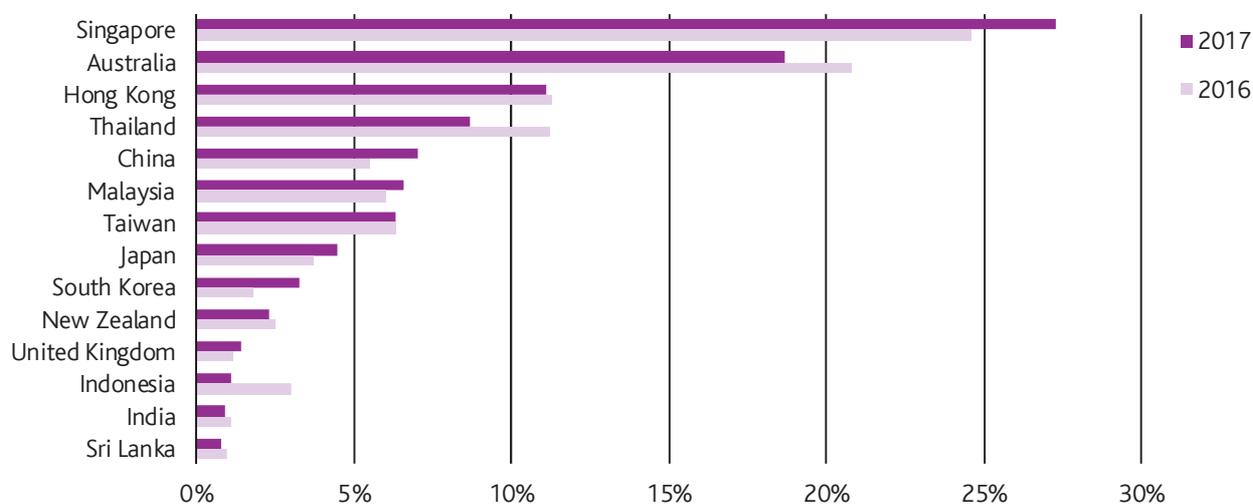
<sup>H</sup> Excludes bank loans of £35,386,000.

# Sector/Geographical Analysis

## Sector Breakdown

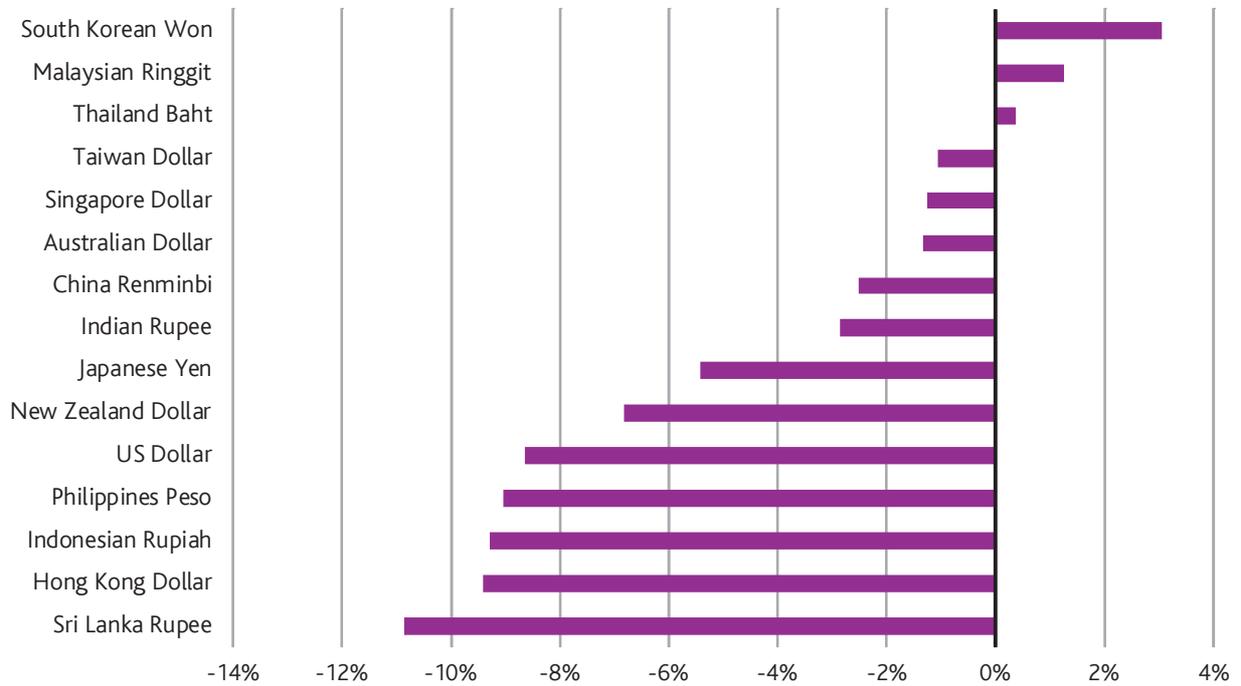


## Geographic Breakdown

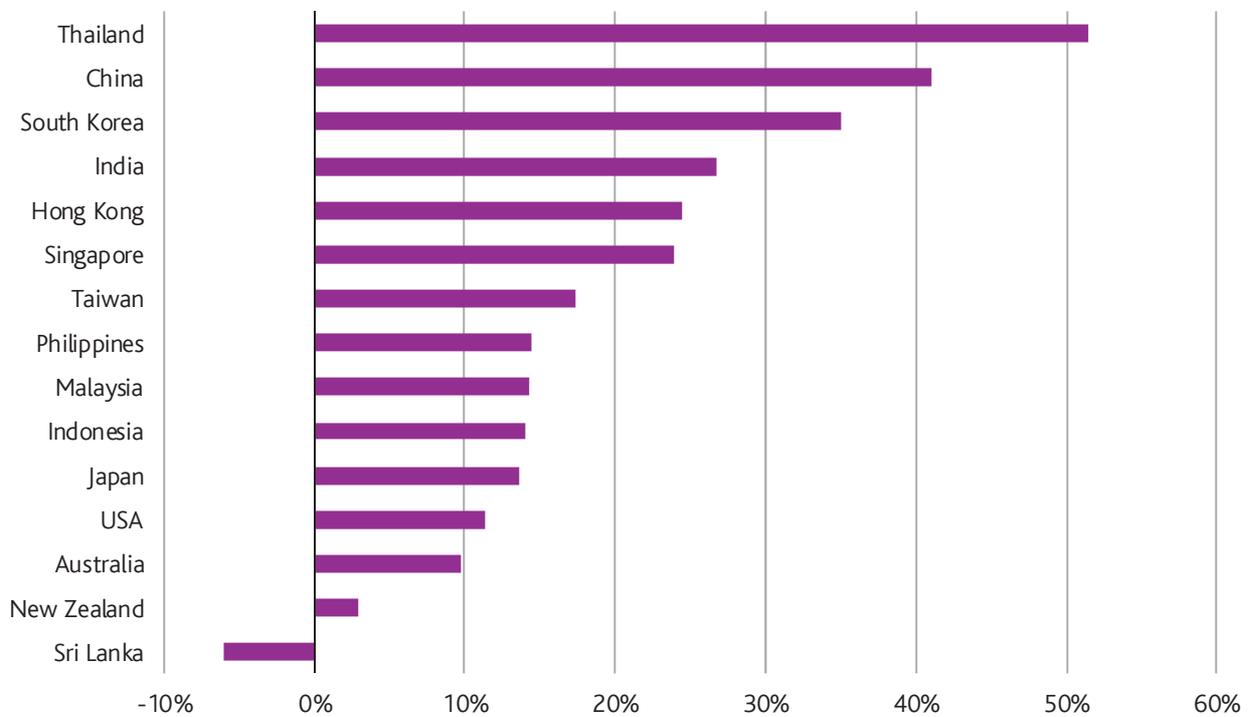


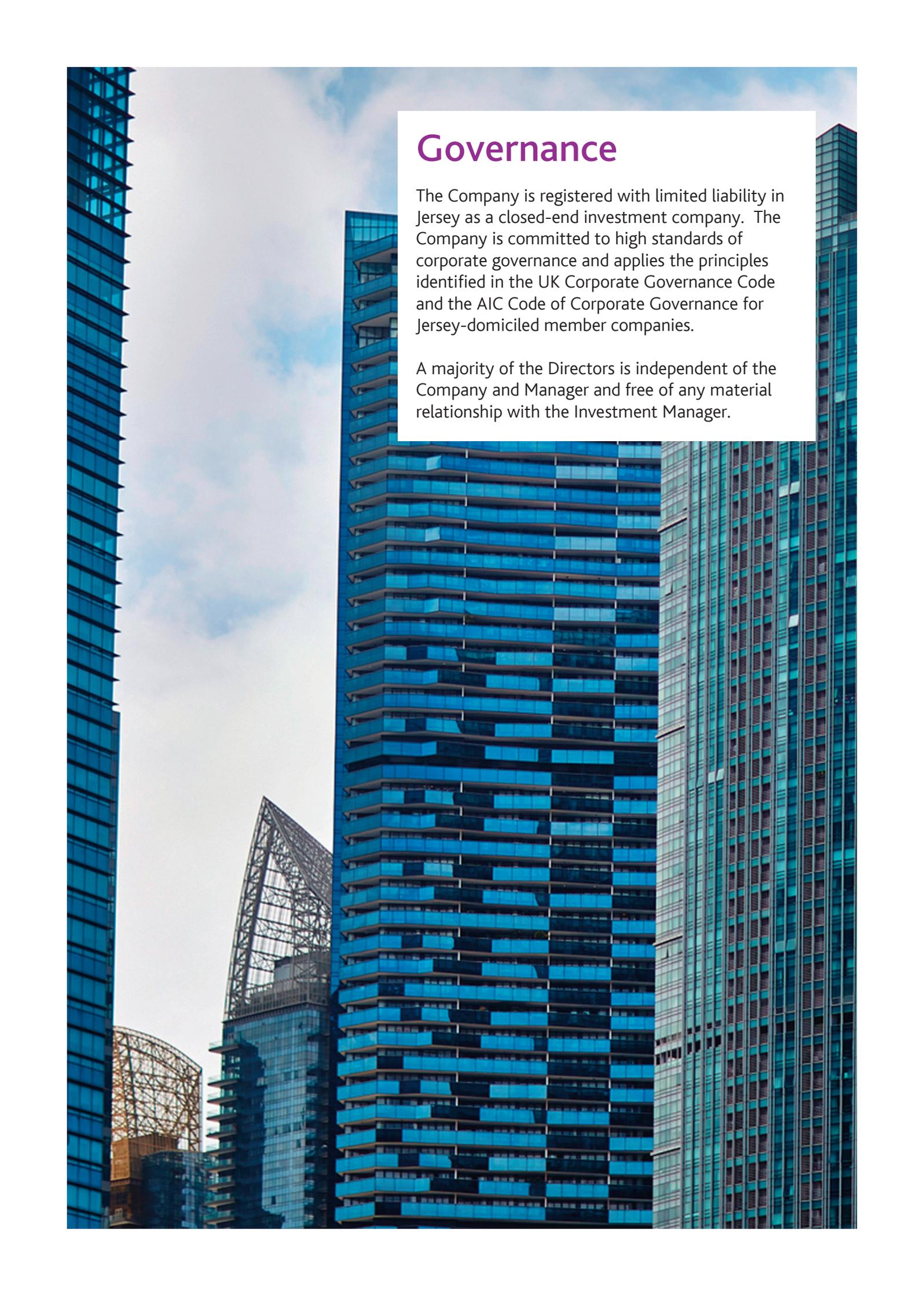
# Currency/Market Performance

## Currency Returns (in sterling terms)



## MSCI Country Index Total Returns (in sterling terms)





## Governance

The Company is registered with limited liability in Jersey as a closed-end investment company. 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 for Jersey-domiciled member companies.

A majority of the Directors is independent of the Company and Manager and free of any material relationship with the Investment Manager.

## Your Board of Directors

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



**Peter Arthur**

**Status:** Independent Non-Executive Director and Chairman

**Length of service:** 12 years, appointed a Director on 10 November 2005

**Last re-elected to the Board:** 10 May 2017

**Experience:** Qualified as a solicitor and chartered company secretary and was for five years an executive director of ISIS Asset Management plc (until its acquisition of F&C Asset Management Limited in October 2004) where most recently he was managing director with responsibility for the group's investment trust and institutional businesses. Prior to this, he was chief legal counsel, Europe for Franklin Templeton Global Investors Ltd. He had previously served 14 years with Edinburgh Fund Managers plc, latterly as joint managing director. He is a director and former chairman of the Association of Investment Companies (AIC).

**Committee membership:** Management Engagement Committee (Chairman) and Nomination Committee (Chairman)

**Remuneration:** £37,500 per annum

**All other public company directorships:** None

**Employment by the Manager:** None

**Other connections with the Company or the Manager:** None

**Shared Directorships with any other Directors:** None

**Shareholding in Company:** 59,916 Ordinary Shares



**Charles Clarke**

**Status:** Senior Independent Non-Executive Director and Audit Committee Chairman

**Length of service:** 6 years, appointed a Director on 29 March 2012 and appointed Senior Independent Director on 10 May 2017

**Last re-elected to the Board:** 7 May 2015

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

**Committee membership:** Audit Committee (Chairman), Management Engagement Committee and Nomination Committee

**Remuneration:** £31,000 per annum

**All other public company directorships:** None

**Employment by the Manager:** None

**Other connections with the Company or the Aberdeen Group:** None

**Shared Directorships with any other Directors:** None

**Shareholding in Company:** 60,000 Ordinary Shares



**Ian Cadby**

**Status:** Independent Non-Executive Director

**Length of service:** 2 years, appointed a Director on 11 May 2016

**Last re-elected to the Board:** elected 10 May 2017

**Experience:** Is a board executive and investment manager with over 27 years' experience within the hedge fund and derivatives trading industry spanning a number of jurisdictions including Asia, USA, UK and Jersey and has extensive experience in board strategy, corporate governance and risk management. Ian is the former Group CEO of Ermitage Ltd and has held senior positions at Cadby Wauton, Regent Pacific and Citibank.

**Committee membership:** Audit Committee, Management Engagement Committee and Nomination Committee

**Remuneration:** £25,500 per annum

**All other public company directorships:** CQS New City High Yield Fund Limited

**Employment by the Manager:** None

**Other connections with the Company or the Manager:** None

**Shared Directorships with any other Directors:** None

**Shareholding in Company:** 7,000 Ordinary Shares



**Mark Florance**

**Status:** Independent Non-Executive Director

**Length of service:** 1 year, appointed a Director on 10 May 2017

**Last re-elected to the Board:** n/a

**Experience:** Is a Singapore Permanent Resident with over 25 years' experience in corporate finance advisory, mergers and acquisitions, equity capital markets, debt capital markets and debt restructuring in Asia across most industry sectors, particularly energy, telecoms, resources, consumer, banking, media, property and transport. Mark started his career at Arthur Andersen before moving to NM Rothschild & Sons Limited, Australia in 1988. Mark left Rothschilds Singapore in 2012 as executive vice chairman to become founder and managing director of S.E.A. Strategic Pte Limited, a company involved in strategic consulting in private equity

**Committee membership:** Audit Committee, Management Engagement Committee and Nomination Committee

**Remuneration:** £25,500 per annum

**All other public company directorships:** -

**Employment by the Manager:** None

**Other connections with the Company or the Manager:** None

**Shared Directorships with any other Directors:** None

**Shareholding in Company:** Nil



**Krystyna Nowak**

**Status:** Independent Non-Executive Director

**Length of service:** 3 years, appointed a Director on 7 May 2015

**Last re-elected to the Board:** elected 11 May 2016

**Experience:** Is Managing Director of the Board Practice and a Member of the Executive Management Team at Norman Broadbent. She studied at Oxford University, before joining Citibank, originally in London followed by nine years in the Far East in Hong Kong and Singapore.

**Committee membership:** Audit Committee, Management Engagement Committee and Nomination Committee

**Remuneration:** £25,500 per annum

**All other public company directorships:** None

**Employment by the Manager:** None

**Other connections with the Company or the Manager:** None

**Shared Directorships with any other Directors:** None

**Shareholding in Company:** 15,432 Ordinary Shares



**Hugh Young**

**Status:** Non-Executive Director

**Length of service:** 12 years, appointed a Director on 11 November 2005

**Last re-elected to the Board:** 10 May 2017

**Experience:** Is a resident of Singapore and was an investment manager with Fidelity International and MGM Assurance prior to joining what is now Standard Life Aberdeen in December 1985. He is managing director of Aberdeen Asset Management Asia Limited and responsible for all the Standard Life Aberdeen Group's operations in Asia.

**Committee membership:** Nomination Committee

**Remuneration:** £25,500 per annum

**All other public company directorships:** Aberdeen New Dawn Investment Trust PLC, Aberdeen Australia Equity Fund Inc., Aberdeen Asia-Pacific Income Investment Company Limited, Aberdeen Asian Smaller Companies Investment Trust PLC (Alternate) and The India Fund Inc.

**Employment by the Manager:** None, other than as stated above

**Other connections with the Company or the Manager:** None

**Shared Directorships with any other Directors:** None

**Shareholding in Company:** 27,500 Ordinary Shares

## Introduction

The Directors present their Report and the audited financial statements for the year ended 31 December 2017.

## Results and Dividends

Details of the Company's results and dividends are shown on page 13 and in note 8 to the financial statements. The Company's dividend policy is to pay interim dividends on a quarterly basis and for the year to 31 December 2017 dividends have been paid in May, August and November 2017 and February 2018. As at 31 December 2017 the Company's revenue reserves (adjusted for the payment of the fourth interim dividend) amounted to £10.5 million (approximately 5.7p per Ordinary Share).

## Status

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

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

## Individual Savings Accounts

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

## Capital Structure, Issuance and Buybacks

The Company's capital structure is summarised in note 14 to the financial statements. At 31 December 2017, there were 183,282,221 fully paid Ordinary shares of no par value (2016 – 186,968,389 Ordinary shares) in issue. At the year end there were 11,651,168 Ordinary shares held in treasury (2016 – 7,965,000).

During the year 3,686,168 Ordinary shares were purchased in the market for treasury and no Ordinary shares were issued or sold from treasury.

Subsequent to the period end 894,010 Ordinary Shares have been purchased in the market at a discount for treasury.

## Voting Rights

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

## Borrowings

On 13 April 2017 the Company entered into a new unsecured three year £40 million multi currency revolving facility agreement with Scotiabank (Ireland) Designated Activity Company (the "New Facility") which replaced a £30 million unsecured facility. Under the terms of the New Facility the Company also has the option to increase the level of the commitment from £40 million to £60 million at any time, subject to the identification by the Investment Manager of suitable investment opportunities and the Lender's credit approval.

On 2 March 2018 the Company entered into a new fully drawn three year £10,000,000 term facility (the "Facility") with Scotiabank Europe PLC ("Scotia") to replace a similar facility that matured on that day. The Company's total gearing at the year end amounted to the equivalent of £35.4 million representing net gearing of 7.1%.

## Management Arrangements

Under the terms of a revised Management Agreement dated 21 March 2017, management services are provided by Aberdeen Private Wealth Management Limited. Further details of which are shown in notes 5 and 6 to the financial statements. The Manager receives a management fee payable quarterly in arrears based on an annual amount of 0.85% of the rolling monthly average NAV of the Company over the previous six months. The Manager is also entitled to a company secretarial and administration fee of £134,000 per annum. Termination of the Management Agreement remains subject to six months' notice.

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

## Risk Management

Details of the financial risk management policies and objectives relative to the use of financial instruments by the Company are set out in note 17 to the financial statements.

## Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued Ordinary share capital of the Company at 31 December 2017:

Shareholder	No. of Ordinary Shares held	% held
Speirs & Jeffrey	13,927,184	7.6
Investec Wealth & Investment	11,219,940	6.1
Brewin Dolphin	9,892,582	5.4
Charles Stanley	9,657,819	5.3
Hargeaves Lansdown <sup>A</sup>	9,254,391	5.1
Quilter Cheviot Investment Management	8,062,782	4.4
Rathbones	7,718,552	4.2
Aberdeen Retail Plans <sup>A</sup>	7,254,312	3.9
Alliance Trust Savings <sup>A</sup>	6,896,878	3.8
Adam & Co Investment Management	5,655,300	3.1

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

On 29 January 2018 Brewin Dolphin notified the Company that its holding in the Ordinary Shares had been reduced to 8,671,508 Shares representing 4.7% of the issued capital. There have been no other changes notified in respect of the above holdings in the period from 31 December 2017 to 6 April 2018.

## Directors

The Board currently consists of six non-executive Directors. Messrs Peter Arthur, Ian Cadby, Charles Clarke, Hugh Young and Ms Krystyna Nowak all held office throughout the year and together with Mark Florance (appointed 10 May 2017) and, Andrey Berzins (retired 10 May 2017), were the only Directors in office during the year.

The names and biographies of each of the six current Directors are disclosed on pages 26 to 28 indicating their range of experience as well as length of service. Mr Young is non-independent and has served on the Board for more than nine years and, in accordance with corporate governance best practice, will retire at the Annual General Meeting on 16 May 2018 ("AGM") and, being eligible, offers himself for re-election. Mr Florance was appointed to the Board during the year and in accordance with the Articles of Association will retire at the first AGM following his appointment and submit himself for election. In accordance with the Articles of Association, Mr Clarke retires at the AGM by rotation and,

being eligible, offers himself for reappointment. Mr Arthur has indicated that he will retire from the Board at the conclusion of the AGM and does not intend to seek re-election.

Mr Clarke, the Senior Independent Director since 10 May 2017, has agreed to become Chairman of the Company with effect from the retirement of Mr Arthur. Also with effect from the conclusion of the AGM on 16 May 2018 Ms Nowak has agreed to become Senior Independent Director and Mr Florance has agreed to become Audit Committee Chairman. The Board considers that there is a balance of skills and experience within the Board relevant to the leadership and direction of the Company and that all the Directors contribute effectively. The Board has no hesitation in recommending the re-election of Mr Clarke and Mr Young and the election of Mr Florance at the AGM.

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

## Policy on Tenure

Directors are not currently required to serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he or she has to make, and therefore the length of service will be determined on a case-by-case basis. In accordance with corporate governance best practice, Directors who have served for more than nine years or who are non-independent voluntarily offer themselves for re-election on an annual basis.

## Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and, as required by the Listing Rules of the UK Listing Authority, has applied the principles identified in the UK Corporate Governance Code (published in April 2016) (the "UK Code") for the year ended 31 December 2017. The UK Code is available on the Financial Reporting Council's website: [frc.org.uk](http://frc.org.uk).

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance for Jersey-domiciled member companies as published in July 2016 (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company. Both the AIC Code

and the AIC Guide are available on the AIC's website: [theaic.co.uk](http://theaic.co.uk).

The Company has complied throughout the accounting period with the relevant provisions contained within the AIC Code and the relevant provisions of the UK Code except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive (A.2.1);
- executive directors' remuneration (D.2.1 and D.2.2); and,
- the need for an internal audit function (C.3.5).

For the reasons set out in the AIC Code, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally-managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions. The full text of the Company's Corporate Governance Statement can be found on the Company's website, [asian-income.co.uk](http://asian-income.co.uk).

Directors have attended Board and Committee meetings during the year ended 31 December 2017 as follows (with their eligibility to attend the relevant meeting in brackets):

	Board	Ad Hoc Board and Committee	Audit	MEC and Nom
<b>Total Meetings</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>2</b>
P Arthur <sup>A</sup>	3 (4)	5 (7)	n/a	2 (2)
M. Florance <sup>B</sup>	2 (2)	2 (3)	1 (1)	n/a
I. Cadby	4 (4)	5 (7)	2 (2)	2 (2)
C Clarke	4 (4)	5 (7)	2 (2)	2 (2)
K Nowak	4 (4)	6 (7)	2 (2)	2 (2)
H Young <sup>C</sup>	4 (4)	3 (7)	n/a	1 (1)
A Berzins <sup>D</sup>	2 (2)	3 (3)	1 (1)	2 (2)

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

<sup>B</sup> Mr Florance was appointed to the Board on 10 May 2017

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

<sup>D</sup> Mr Berzins retired from the Board on 10 May 2017

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

also reviews the financial statements, performance and revenue budgets.

## Board Committees

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

### Audit Committee

The Audit Committee Report is on pages 36 and 37 of this Annual Report.

### Management Engagement Committee

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

### Nomination Committee

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

During the year the Nomination Committee undertook a search for a new Director. The Committee decided to use the services of Fletcher Jones, an independent specialist recruitment consultant with no connections to the Company, to prepare a long list of potential candidates. The Committee prepared a specification for the search, detailing the requisite skills and experience that would complement the existing Directors and having due regard to the diversity policy established by the Company. Having reviewed the individuals and interviewed a short list of possible candidates, Mr Mark Florance was appointed to the Board on 10 May 2017.

At the end of the year the Committee initiated a further search for a new Director, ahead of the scheduled retirement of Mr Arthur at the AGM in May 2018. The Committee used the services of Fletcher Jones again and, having reviewed a diverse long list and interviewed a short list of possible candidates Ms Nicky McCabe will be appointed to the Board with effect from the close of business at the AGM on 16 May 2018.

The Company has put in place the necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board, Directors' individual self evaluation and a performance evaluation of the Board as a whole. The appraisal process concluded that the Board continues to have a good balance of experience and considerable knowledge of Asian markets and works in a collegiate, efficient and effective manner under the leadership of an experienced and well regarded Chairman. The Board also reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company. Accordingly, the Board has no hesitation in recommending to Shareholders the reappointment of Mr Clarke and Mr Young who are each due to retire at the forthcoming AGM and submit themselves for re-election and the election of Mr Florance who was appointed during the year.

### Remuneration Committee

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

The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is set out in the Directors' Remuneration Report on page 38 and 40.

### Management of Conflicts of Interests

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

No Director has a service contract with the Company although Directors are issued with letters of appointment

upon appointment. The Directors' interests in contractual arrangements with the Company are as shown in note 19 to the financial statements. No other Directors had any interest in contracts with the Company during the period or subsequently.

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

### Going Concern

The Directors have undertaken a robust review of the Company's viability (refer to statement on pages 11 and 12) and ability to continue as a going concern. The Company's assets consist primarily of a diverse portfolio of listed equity shares which in most circumstances are realisable within a very short timescale.

The Directors are mindful of the principal risks and uncertainties disclosed on page 10 and have reviewed forecasts detailing revenue and liabilities and the Directors believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

### Accountability and Audit

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

### Independent Auditor

The Company's independent Auditor, EY, has expressed its willingness to continue in office and a Resolution to re-appoint EY as the Company's Auditor and to authorise the Directors to fix the Auditor's remuneration will be put to shareholders at the AGM.

### Principal Risks

The Board of Directors is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following the Financial Reporting Council's

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publication of "Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting" (the "FRC Guidance"), the Directors confirm that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. This process has been in place for the full year under review and up to the date of approval of the financial statements, and this process is regularly reviewed by the Board and accords with the FRC Guidance.

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

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

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

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

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

- the Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance;
- the Board and Investment Manager have agreed clearly defined investment criteria;
- there are specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Investment Manager's investment process and financial analysis of the companies concerned include detailed appraisal and due diligence;
- as a matter of course the compliance department of APWML continually reviews the Investment Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third-party service providers and the Committee reviews, where relevant, ISAE3402 Reports, a global assurance standard for reporting on internal controls for service organisations. The Board has reviewed the exceptions arising from the Manager's ISAE3402 for the year to 30 June 2017, none of which were judged to be of direct relevance to the Company;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Investment Manager, has decided to place reliance on the Investment Manager's systems and internal audit procedures; and
- twice a year, at its Board meetings, the Board carries out an assessment of internal controls by considering documentation from the Investment Manager, including its internal audit and compliance functions and taking account of events since the relevant period end.

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

Representatives from the Internal Audit department of the Investment Manager report six monthly to the Audit Committee of the Company and have direct access to the Directors at any time.

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

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

### The UK Stewardship Code and Proxy Voting

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

The full text of the Company's response to the Stewardship Code may be found on the Company's website.

### Relations with Shareholders

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

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

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

### Responsible Investment

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

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

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

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

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

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

### Annual General Meeting

The AGM will be held at 10.30 a.m. on 16 May 2018 at the Company's registered office, 1<sup>st</sup> Floor, Sir Walter Raleigh House, 48 – 50 Esplanade, St Helier, Jersey JE2 3QB. Resolutions including the following business will be proposed:

### Dividend Policy

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

The Company's dividend policy shall be that dividends on the Ordinary Shares are payable quarterly in relation to periods

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ending March, June, September and December. It is intended that the Company will pay quarterly dividends consistent with the expected annual underlying portfolio yield. The Company has the flexibility in accordance with its Articles to make distributions from capital. Resolution 3 will seek Shareholder approval for the revised dividend policy.

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

The Directors aim to operate an active discount management policy through the use of Ordinary Share buy backs, should the Company's Shares trade at a significant discount. The objective being to maintain the price at which the Ordinary Shares trade relative to the exclusive of income NAV at a discount of no more than 5%. Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing exclusive of income NAV (which, subject to shareholder approval at the AGM will be the latest estimated NAV) where the Directors believe such purchases will enhance shareholder value and are likely to assist in narrowing any discount to NAV at which the Ordinary Shares may trade. Subsequent to the period end the Company has purchased for treasury 894,010 Ordinary shares and at the time of writing the Ordinary Shares are trading at a discount of 7.7% to the prevailing exclusive of income NAV.

Resolution 8, a Special Resolution, will be proposed to renew the Directors' authority to make market purchases of the Company's Ordinary Shares in accordance with the provisions of the Listing Rules of the Financial Conduct Authority. Accordingly, the Company will seek authority to purchase up to a maximum of 27,339,992 Ordinary Shares (or, if less, 14.99% of the issued Ordinary Share capital as at the date of passing of the resolution). The authority being sought will expire on the earlier of 18 months from the date of the resolution or at the conclusion of the Annual General Meeting to be held in 2019 unless such authority is renewed prior to such time. Any Ordinary Shares purchased in this way will be cancelled and the number of Ordinary Shares will be reduced accordingly, or the Ordinary Shares will be held in treasury.

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

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

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

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

Unless previously disapplied by special resolution, in accordance with the Listing Rules, the Company is required to first offer any new Ordinary Shares or securities (or rights to subscribe for, or to convert or exchange into, Ordinary Shares) proposed to be issued for cash to shareholders in proportion to their holdings in the Company. In order to continue with such Ordinary Share issues, as in previous years, your Board is also proposing that its annual disapplication of the pre-emption rights is renewed so that the Company may continue to issue Ordinary Shares as and when appropriate. Accordingly, Resolution 9, a Special Resolution, proposes a disapplication of the pre-emption rights in respect of 10% of the Ordinary Shares in issue at the date of the passing of the resolution, set to expire on the earlier of 18 months from the date of the resolution or at the conclusion of the Annual General Meeting to be held in 2018.

#### **Amendment to Investment Policy**

Resolution 10 is an ordinary resolution proposing an amendment to the Company's investment policy. Further details of the proposed changes are contained in the Chairman's Statement on page 6 and the Appendix on pages 84 and 85.

#### **Recommendation**

Your Board considers Resolutions 8 to 10 to be in the best interests of the Company and its members as a whole. Accordingly, your Board recommends that shareholders should vote in favour of Resolutions 8 to 10 to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial shareholdings which amount to 224,848 Ordinary Shares.

**Peter Arthur**  
Chairman  
6 April 2018

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

## Audit Committee's Report

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The Audit Committee presents its report for the year ended 31 December 2017.

### Committee Composition

The Audit Committee operates within clearly defined terms of reference and comprises four independent Directors: Mr C Clarke (Chairman), Mr I Cadby, Mr M Florance and Ms K Nowak. With effect from 16 May 2018 it is anticipated that Mr M Florance will become Audit Committee Chairman and Mr C Clarke will step down from the Committee. In accordance with the UK Corporate Governance Code provision C.3.1 the Directors' biographies on pages 26 to 28 describe the wide range of recent and relevant financial experience and the Committee's competence in the investment company sector.

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

### Functions of the Committee

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

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

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Manager and Aberdeen Private Wealth Management Limited which acts as Administrator and Company Secretary;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half yearly reports, announcements and related formal statements;
- to review the content of the Annual Report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the

Company's position and performance, business model and strategy;

- to meet with the external Auditor to review their proposed audit programme of work and the findings of the Auditor. The Committee uses this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services. (During the period under review, fees amounting to £11,000 (2016: £17,000) were paid to the Auditor in respect of non-audit services (interim review of Half Yearly Report and local tax compliance services) and the Audit Committee does not consider the level of non-audit services to be excessive but will review any future fees in the light of the requirement to maintain the Auditor's independence;
- to review an annual statement from the Manager detailing the arrangements in place within the Standard Life Aberdeen Group whereby its staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor; and
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

### Activities During the Year

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

### Review of Internal Control Systems and Risk

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

### Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 31 December 2017, the Audit Committee considered the following significant issues, in particular those communicated by the Auditor during its planning and reporting of the year end audit:

### Valuation, Existence and Ownership of Investments

The valuation of investments is undertaken in accordance with the accounting policies, disclosed in notes 2 (e) and 21 to the financial statements on pages 54 and 70. The audit includes independent confirmation of the existence of all

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investments. 97.1% of the portfolio is considered liquid and quoted in active markets and has been designated as Level 1 within the IFRS 13 fair value hierarchy and can be verified against daily market prices. The remaining 2.9% of the portfolio is not considered to trade in sufficiently active markets and has been reclassified as Level 2. Further details are provided in note 21 on page 70. The portfolio is reviewed and verified by the Investment Manager on a regular basis and management accounts including a full portfolio listing are prepared each month and circulated to all Directors for review. The work undertaken by the Auditor on the valuation, existence and ownership of investments is disclosed on page 44. The Company uses the services of an independent Custodian (BNP Paribas) to hold the assets of the Company. The investment portfolio is reconciled regularly by the Investment Manager and a reconciliation is also reviewed by the Auditor. The foregoing procedures and processes provide comfort to the Directors in respect of this risk.

#### Recognition of Investment Income

The recognition of investment income is undertaken in accordance with accounting policy note 2 (b) to the financial statements on page 53. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the intention of the underlying company. The Investment Manager circulates monthly internal control reports which are reviewed and analysed by the Board. The allocation of material special dividends is also assessed by the Auditor. The foregoing procedures and processes provide comfort to the Directors in respect of this risk.

#### Review of Auditor

The Company's Annual Report and financial statements for the year ended 31 December 2017 have been audited by EY at a cost of £33,250. The Audit Committee has reviewed the effectiveness of the Auditor including:

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

of knowledge of the investment company sector on rotation of the partner.

#### Tenure of the Auditor

Ernst & Young LLP has held office as Auditor since the launch of the Company in 2005; in accordance with professional guidelines the audit partner is rotated after at most five years, and the 2017 audit represents the second audit for the current audit partner. Notwithstanding the non-audit services provided to the Company (interim review of half yearly report and regional tax compliance work) the Committee considers Ernst & Young LLP, the Company's Auditor, to be independent of the Company. The Committee therefore supports the recommendation to the Board that the re-appointment of Ernst & Young LLP be put to shareholders for approval at the AGM. Shareholders have the opportunity at each AGM to vote on the reappointment of the Auditor for the forthcoming year.

The Audit Committee is aware of developments in best practice in regard to audit tendering and in particular the EU legislation in the form of the Statutory Audit Regulation and Directive that came into effect in June 2016. Whilst these EU rules do not apply to the Company, the Committee intends to undertake an audit tender in 2018. Following the outcome of that tender the Committee will ensure that all non audit services currently provided by the auditor that would not be permissible in the UK, such as tax compliance work, are no longer undertaken by the Company's auditor.

#### Charles Clarke

Audit Committee Chairman

6 April 2018

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

## Directors' Remuneration Report

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This Directors' Remuneration Report comprises three parts:

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

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

### Remuneration Policy

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

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

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

### Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £25,500).

- No incentive or introductory fees will be paid to encourage a Directorship.
- Directors are entitled to be reimbursed for out of pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

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

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

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

### Implementation Report

#### Directors' Fees

The Board carried out a review of the level of Directors' fees during the year and concluded that the amounts should be maintained at £37,500 for the Chairman, £30,000 for the Audit Committee Chairman and £25,500 for other Directors. The Senior Independent Director receives an extra £1,000 per annum. The fees were increased to the present level with effect from 1 July 2016. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.

#### Company Performance

Also during the year the Board carried out a review of investment performance. The following graph illustrates the total shareholder return for a holding in the Company's Ordinary Shares as compared to the MSCI AC Asia Pacific ex Japan Index (currency adjusted) for the period since the inception of the Company (figures rebased to 100 at inception). Given the Company's investment objective this is the most appropriate index against which to measure the Company's performance. Shareholders should note that the Company's portfolio is constructed without reference to any stockmarket index. It is likely, therefore, that there will be periods when the Company's performance will be quite

unlike that of any index and there can be no assurance that such divergence will be to the Company's advantage.



### Statement of Voting at General Meeting

At the Company's last AGM, held on 10 May 2017, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) in respect of the year ended 31 December 2016 and the following proxy votes were received on the resolutions:

Resolution	For* %	Against %	Withheld %
(2) Receive and Adopt Directors' Remuneration Report	52.4m (99.5%)	241,679 (0.5%)	51,706
(3) Approve Directors' Remuneration Policy	52.4m (99.5%)	263,358 (0.5%)	

\* Including discretionary votes

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 December 2017 will be proposed at the Annual General Meeting.

### Spend on Pay

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

### Fees Payable

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

Director	2017 £	2016 £
P Arthur (Chairman and highest paid Director)	37,500	36,250
C Clarke <sup>A</sup>	30,643	29,000
I Cadby <sup>B</sup>	25,500	16,113
M Florance <sup>C</sup>	16,388	n/a
K Nowak	25,500	24,750
H Young	25,500	24,750
A Berzins <sup>D</sup>	9,537	25,390
D Baxter <sup>E</sup>	n/a	9,066
<b>Total</b>	<b>170,568</b>	<b>165,319</b>

<sup>A</sup> Mr Clarke was appointed Senior Independent Director on 10 May 2017

<sup>B</sup> Mr Cadby was appointed to the Board on 11 May 2016

<sup>C</sup> Mr Florance was appointed to the Board on 10 May 2017

<sup>D</sup> Mr Berzins retired from the Board on 10 May 2017

<sup>E</sup> Mr Baxter retired from the Board on 11 May 2016

Fees are pro-rated where a change takes place during a financial year. Of the fees disclosed above £25,500 (2016 - £33,816) was payable to third parties in respect of making available the services of Directors. These fees were in respect of Mr H Young (assigned to Aberdeen Asset Management Asia Limited).

### Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including connected persons) at 31 December 2017 and 1 January 2017 had no interest in the Ordinary Share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

Director	31 December 2017 Ordinary Shares	1 January 2017 Ordinary Shares
P Arthur	58,181	51,379
C Clarke	60,000	60,000
I Cadby	7,000	-
M Florance <sup>A</sup>	-	n/a
K Nowak	15,432	12,019
H Young	27,500	27,500
A Berzins <sup>B</sup>	55,000	55,000

<sup>A</sup> Mr Florance was appointed to the Board on 10 May 2017

<sup>B</sup> At date of retirement from Board on 10 May 2017

Subsequent to the year end, Mr Arthur's beneficial holding increased to 59,916 Ordinary Shares following purchases of 453 Ordinary Shares, 323 Ordinary Shares, 476 Ordinary Shares and 483 Ordinary Shares on 22 January 2018, 21 and 22 February 2018 and 22 March 2018 respectively. The other Directors' Ordinary Share interests were unchanged at 6 April 2018, being the nearest practicable date prior to the signing of this Report.

## Annual Statement

On behalf of the Board, I, Peter Arthur, Chairman, confirm that the Report on Remuneration Policy and the above Remuneration Implementation Report summarises, as applicable, for the year to 31 December 2017:

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

The Directors' Remuneration Report was approved by the Board of Directors on 6 April 2018 and signed on its behalf by:

**Peter Arthur**  
Chairman  
6 April 2018

## Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and,
- assess whether the Annual Report and financial statements, taken as a whole, is 'fair, balanced and understandable'.

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

### Declaration

The Directors listed on pages 26 to 28, being the persons responsible, hereby confirm to the best of their knowledge:

- that the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- that in the opinion of the Directors, the Annual Report and financial statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report, including the Chairman's Statement and the Investment Manager's Review, include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

For and on behalf of the Board

### Peter Arthur

Chairman  
6 April 2018

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

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

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

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## Opinion

In our opinion:

- Aberdeen Asian Income Fund Limited's (the "Company") financial statements (the "financial statements") give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements of Aberdeen Asian Income Fund Limited which comprise:

Statement of Comprehensive Income for the year ended 31 December 2017
Balance Sheet as at 31 December 2017
Statement of Changes in Equity for the year ended 31 December 2017
Cash Flow Statement for the year ended 31 December 2017
Related notes 1 to 22 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Use of our report

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

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 10 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 10 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on pages 32 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 11 and 12 in the annual report as to how they have assessed the prospects of the entity, 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 entity will be able to continue in operation and meet its liabilities as

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

## Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Inaccurate or incomplete income recognition, including the misclassification of special dividend income between revenue and capital</li> <li>• Mispricing of investments due to the use of inappropriate pricing inputs</li> </ul>
<b>Audit scope</b>	• We performed an audit of the complete financial information of Aberdeen Asian Income Fund Limited
<b>Materiality</b>	• Overall materiality of £4.3m which represents 1% of Net Asset Value (2016: £3.9m).

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Inaccurate or incomplete income recognition, including the misclassification of special dividend income between revenue and capital</b></p> <p><b>Income from investments £21.8m (2016: £20.9m)</b></p> <p><i>Refer to the Audit Committee Report (page 37); Accounting policies (page 53); and Note 4 of the Financial Statements (page 56)</i></p> <p>Revenue includes the dividend and interest income streams generated from the Company's investments.</p> <p>Dividend and interest income is the most significant component of the Company's revenue profit for the year which drives some of the Company's key performance indicators including revenue earnings per ordinary share. Management may seek to overstate revenue in order to justify higher dividends and revenue earnings per ordinary share.</p>	<p>We walked through the revenue recognition process and understood the systems and controls implemented.</p> <p>We assessed whether the revenue recognition policies were in compliance with IFRS.</p> <p>We agreed samples of dividends received and receivable and of interest income entitlements to independent sources and bank statements.</p> <p>We validated the classification of special dividends between revenue and capital by examining independent information about the nature of the dividends.</p> <p>We recalculated the interest income, on a sample basis, using the effective interest rate method.</p>	<p>We reported that there were no matters identified during our audit work to indicate that dividend and interest is materially misstated.</p>

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

<p><b>Mispricing of investments due to the use of inappropriate pricing inputs</b></p> <p><b>Investments held at fair value through profit or loss £461.6m (2016: £428.9m)</b></p> <p><i>Refer to the Audit Committee Report (pages 36 and 37); Accounting policies (page 54); and Notes 10, 17 and 21 of the Financial Statements</i></p> <p>Investments comprise a portfolio of equity and fixed interest securities measured at fair value through profit or loss. The valuation of the Company's investment is a significant driver of the net asset value of the Company and of its total return.</p> <p>Management may seek to overstate the valuation of investments to maximise reported performance and net asset value per share.</p>	<p>We walked through the valuation processes and understood the systems and controls implemented.</p> <p>We agreed the prices used to value each security at the balance sheet date to an independent pricing source.</p>	<p>We reported that there were no matters identified during our audit work to indicate that the valuation of investments is materially misstated</p>
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## An overview of the scope of our audit

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Company to be £4.3m (2016: £3.9m) which is 1% (2016: 1%) of the Net Asset Value of the Company. We believe that the Net Asset Value of the Company is the most important metric to shareholders and this is in line with the expectations of market participants for determining materiality for investment companies.

#### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £3.24m (2016: £2.97m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

#### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £216,000 (2016: £198,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the annual report on pages 1 to 41 and pages 72 to 86, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 41 – the statement given by the directors that they consider 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 36 and 37 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on pages 30 and 31 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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## Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Michael Bane

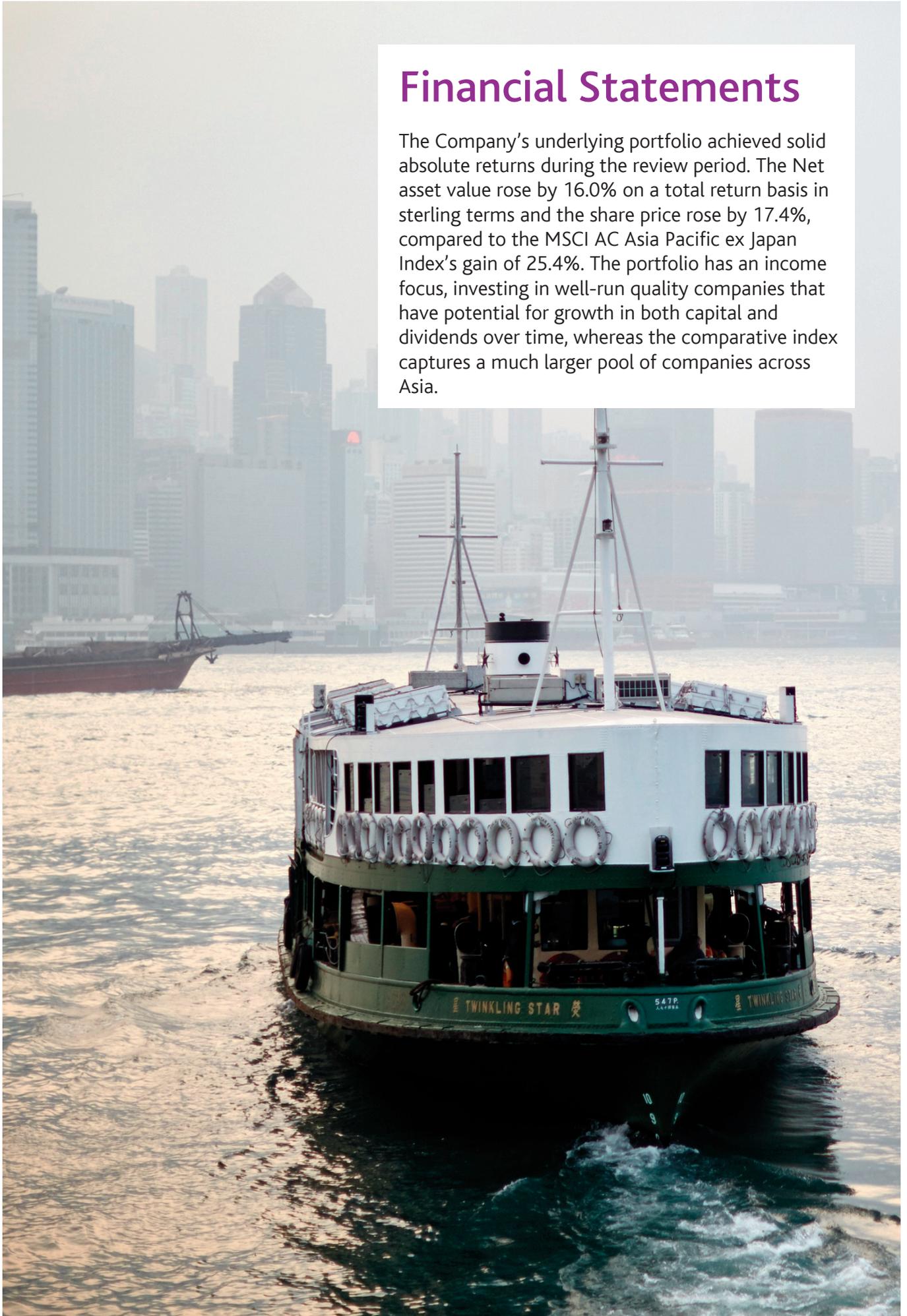
for and on behalf of Ernst & Young LLP  
Jersey, Channel Islands  
6 April 2018

### Notes:

1. The maintenance and integrity of the Company information published on the Aberdeen Asian Income Fund Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Financial Statements

The Company's underlying portfolio achieved solid absolute returns during the review period. The Net asset value rose by 16.0% on a total return basis in sterling terms and the share price rose by 17.4%, compared to the MSCI AC Asia Pacific ex Japan Index's gain of 25.4%. The portfolio has an income focus, investing in well-run quality companies that have potential for growth in both capital and dividends over time, whereas the comparative index captures a much larger pool of companies across Asia.



## Statement of Comprehensive Income

	Notes	Year ended 31 December 2017			Year ended 31 December 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Investment income</b>	4						
Dividend income		20,351	–	20,351	18,203	–	18,203
Interest income		1,407	–	1,407	2,744	–	2,744
<b>Total revenue</b>		21,758	–	21,758	20,947	–	20,947
Gains on investments held at fair value through profit or loss	10	–	43,697	43,697	–	83,483	83,483
Net currency gains/(losses)		–	2,355	2,355	–	(5,596)	(5,596)
		21,758	46,052	67,810	20,947	77,887	98,834
<b>Expenses</b>							
Investment management fee	5	(1,411)	(2,117)	(3,528)	(1,308)	(1,962)	(3,270)
Other operating expenses	6	(1,069)	–	(1,069)	(1,049)	–	(1,049)
<b>Profit before finance costs and tax</b>		19,278	43,935	63,213	18,590	75,925	94,515
Finance costs	7	(284)	(426)	(710)	(238)	(358)	(596)
<b>Profit before tax</b>		18,994	43,509	62,503	18,352	75,567	93,919
Tax expense	2(d)	(1,303)	–	(1,303)	(1,045)	–	(1,045)
<b>Profit for the year</b>		17,691	43,509	61,200	17,307	75,567	92,874
<b>Earnings per Ordinary share (pence)</b>	9	9.58	23.56	33.14	9.15	39.97	49.12

The Company does not have any income or expense that is not included in profit/(loss) for the year, and therefore the "Profit/(loss) for the year" is also the "Total comprehensive income for the year", as defined in IAS 1 (revised).

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

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

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

Financial Statements  
**Balance Sheet**

	Notes	As at 31 December 2017 £'000	As at 31 December 2016 £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	10	461,632	428,908
<b>Current assets</b>			
Cash and cash equivalents		4,872	5,314
Other receivables	11	1,342	1,440
		6,214	6,754
<b>Creditors: amounts falling due within one year</b>			
Bank loans	12	(35,386)	(27,974)
Other payables	12	(591)	(1,660)
		(35,977)	(29,634)
<b>Net current liabilities</b>		(29,763)	(22,880)
<b>Total assets less current liabilities</b>		431,869	406,028
<b>Creditors: amounts falling due after more than one year</b>			
Bank loans	12	–	(10,000)
<b>Net assets</b>		<b>431,869</b>	<b>396,028</b>
<b>Stated capital and reserves</b>			
Stated capital	14	194,933	194,933
Capital redemption reserve		1,560	1,560
Capital reserve	15	220,779	185,050
Revenue reserve	15	14,597	14,485
<b>Equity shareholders' funds</b>		<b>431,869</b>	<b>396,028</b>
<b>Net asset value per Ordinary share (pence)</b>	16	<b>235.63</b>	<b>211.82</b>

The financial statements on pages 48 to 71 were approved by the Board of Directors and authorised for issue on 6 April 2018 and were signed on its behalf by:

**Peter Arthur**  
Chairman

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

## Statement of Changes in Equity

## For the year ended 31 December 2017

		Stated capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Retained earnings £'000	Total £'000
	Note						
Opening balance		194,933	1,560	185,050	14,485	–	396,028
Buyback of Ordinary shares for treasury	14	–	–	(7,780)	–	–	(7,780)
Profit for the year		–	–	–	–	61,200	61,200
Transferred from retained earnings to capital reserve <sup>A</sup>		–	–	43,509	–	(43,509)	–
Transferred from retained earnings to revenue reserve		–	–	–	17,691	(17,691)	–
Dividends paid	8	–	–	–	(17,579)	–	(17,579)
<b>Balance at 31 December 2017</b>		<b>194,933</b>	<b>1,560</b>	<b>220,779</b>	<b>14,597</b>	<b>–</b>	<b>431,869</b>

## For the year ended 31 December 2016

		Stated capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Retained earnings £'000	Total £'000
	Note						
Opening balance		194,933	1,560	119,637	13,302	–	329,432
Buyback of Ordinary shares for treasury	14	–	–	(10,154)	–	–	(10,154)
Profit for the year		–	–	–	–	92,874	92,874
Transferred from retained earnings to capital reserve <sup>A</sup>		–	–	75,567	–	(75,567)	–
Transferred from retained earnings to revenue reserve		–	–	–	17,307	(17,307)	–
Dividends paid	8	–	–	–	(16,124)	–	(16,124)
<b>Balance at 31 December 2016</b>		<b>194,933</b>	<b>1,560</b>	<b>185,050</b>	<b>14,485</b>	<b>–</b>	<b>396,028</b>

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

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

The stated capital in accordance with Companies (Jersey) Law 1991 Article 39A is £260,822,000 (2016 – £260,822,000). These amounts include proceeds arising from the issue of shares by the Company but exclude the cost of shares purchased for cancellation or treasury by the Company.

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

## Cash Flow Statement

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>Cash flows from operating activities</b>			
Dividend income received		18,976	16,996
Interest income received		1,284	2,881
Investment management fee paid		(4,334)	(2,433)
Other cash expenses		(1,152)	(954)
<b>Cash generated from operations</b>		<b>14,774</b>	<b>16,490</b>
Interest paid		(716)	(592)
Overseas taxation suffered		(1,303)	(1,045)
<b>Net cash inflows from operating activities</b>		<b>12,755</b>	<b>14,853</b>
<b>Cash flows from investing activities</b>			
Purchases of investments		(59,371)	(56,400)
Sales of investments		71,930	70,158
<b>Net cash inflow from investing activities</b>		<b>12,559</b>	<b>13,758</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares for treasury	14	(7,945)	(10,203)
Dividends paid	8	(17,579)	(16,124)
Loans repaid		–	(6,773)
<b>Net cash outflow from financing activities</b>		<b>(25,524)</b>	<b>(33,100)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(210)</b>	<b>(4,489)</b>
Cash and cash equivalents of the start of the year		5,314	10,504
Effect of foreign exchange on cash and cash equivalents		(232)	(701)
<b>Cash and cash equivalents at the end of the year</b>	<b>2</b>	<b>4,872</b>	<b>5,314</b>

Non-cash transactions during the year comprised stock dividends of £1,393,000 (2016 – £1,300,000).

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

# Notes to the Financial Statements For the year ended 31 December 2017

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## 1. Principal activity

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

## 2. Accounting policies

### (a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Reporting Interpretations Committee of the IASB ("IFRIC"). The Company adopted all of the IFRS which took effect during the year including amendments to IAS 7 which requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation of changes in financing activities during the year is provided in note 13 on page 60.

The financial statements have also been prepared in accordance with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in January 2017 with consequential amendments.

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

### Significant accounting judgements and estimates

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

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

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

### New and amended accounting standards and interpretations

At the date of authorisation of these financial statements, the following amendments to Standards and Interpretations were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2018:

- IFRS 9 – Financial Instruments
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration

At the date of authorisation of these financial statements, the following Standards and Interpretations were assessed to be relevant and are effective for annual periods beginning on or after 1 January 2019:

- 
- IAS 12 Amendment (AI 2015–17) – Income tax consequences of payments on financial instruments classified as equity
  - IAS 23 Amendment (AI 2015–17) – Borrowing costs eligible for capitalisation
  - IFRIC 23 – Uncertainty over Income Tax Treatments

In addition, under the Annual Improvements to IFRSs 2015 – 2017 Cycle, a number of Standards are included for annual periods beginning on or after 1 January 2018.

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 will be revised presentations to the Financial Statements and additional disclosures. In forming this opinion the Board specifically notes the fundamental rewrite of accounting rules for financial instruments under IFRS 9 and introduces a new classification model for financial assets that is more principles-based than the current requirements under IAS 39 Financial Instruments: Recognition and Measurement. Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. Instruments will be classified either at amortised cost, the newly established measurement category fair value through other comprehensive income or fair value through profit or loss. The Company's portfolio includes a relatively small exposure to corporate bonds, which have contractual cash flows and the Board have determined it will be appropriate to continue to classify these securities at fair value through profit or loss as even though the Company will collect contractual cash flows while it holds these securities as it is only incidental and not integral to achieving the investment objective, which is to provide investors with a total return. In further considering the business model, the Board is mindful that the Manager manages and evaluates the performance of the Company on a fair value basis and is compensated based on the fair value of assets managed rather than contractual cash flows collected. There has been no change to the Board's assessment of the consequences of adopting IFRS 9 since the last year end.

**(b) Income**

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

The fixed returns on debt securities and non-equity shares are recognised using the effective interest rate method.

Interest receivable from cash and short-term deposits is recognised on an accruals basis.

**(c) Expenses**

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

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

**(d) Taxation**

Profits arising in the Company for the year ended 31 December 2017 will be subject to Jersey income tax at the rate of 0% (2016 – 0%).

## Notes to the Financial Statements *continued*

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

**(e) Investments**

All investments have been designated upon initial recognition at fair value through profit or loss as all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy.

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

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

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

**(f) Cash and cash equivalents**

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

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

**(g) Other receivables and payables**

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

**(h) Dividends payable**

Interim dividends payable are recognised in the financial statements in the period in which they are paid.

**(i) Nature and purpose of reserves**

**Capital redemption reserve**

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

**Capital reserve**

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

When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from the capital reserve. Should these shares

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be sold subsequently, the amount received is recognised in the capital reserve and the resulting surplus or deficit on the transaction remains in the capital reserve.

#### **Revenue reserve**

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

#### **(j) Foreign currency**

Monetary assets and liabilities denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the reporting date. The financial statements are presented in sterling, which is the Company's functional and presentation currency. The Company's performance is evaluated and its liquidity is managed in sterling. Therefore sterling is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Gains or losses arising from a change in exchange rates subsequent to the date of a transaction are included as a currency gain or loss in revenue or capital in the Statement of Comprehensive Income, depending on whether the gain or loss is of a revenue or capital nature.

#### **(k) Borrowings**

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

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

#### **(l) Share capital**

The Company's Ordinary shares are classified as equity as the Company has full discretion on repurchasing the Ordinary shares and on dividend distributions.

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

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

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

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

Notes to the Financial Statements *continued***3. Segmental information**

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

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Asia Pacific region	20,441	19,797
United Kingdom	1,317	1,150
	<b>21,758</b>	<b>20,947</b>

**4. Investment income**

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>Income from investments</b>		
Overseas dividends	18,030	16,142
UK dividend income	928	761
Stock dividends	1,393	1,300
	<b>20,351</b>	<b>18,203</b>
<b>Interest income</b>		
Bond interest	1,404	2,737
Deposit interest	3	7
	<b>1,407</b>	<b>2,744</b>
<b>Total revenue</b>	<b>21,758</b>	<b>20,947</b>

**5. Investment management fee**

	Year ended 31 December 2017			Year ended 31 December 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,411	2,117	3,528	1,308	1,962	3,270

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

The investment management fee is payable quarterly in arrears and is based on an annual amount of 0.85% of the net asset value of the Company valued monthly and on the average of the previous five monthly valuation points. The balance due to APWML at the year end was £302,000 (2016 – £1,108,000). The investment management fees are charged 40% to revenue and 60% to capital in line with the Board's expected long term returns.

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
<b>6. Other operating expenses</b>		
Directors' fees	171	165
Promotional activities	250	250
Auditor's remuneration:		
– statutory audit	33	39
– interim accounts review	6	6
– tax services	5	11
Custodian charges	163	155
Secretarial and administration fee	134	134
Other	307	289
	<b>1,069</b>	<b>1,049</b>

The Company has an agreement with Aberdeen Asset Managers Limited ("AAM") for the provision of promotional activities in relation to the Company's participation in the Aberdeen Investment Trust share plan and ISA. The total fees paid are based on an annual rate of £250,000 (2016 – £250,000). An amount of £63,000 (2016 – £63,000) was payable to AAM at the year end.

In addition, APWML is entitled to an annual company secretarial and administration fee of £134,000 (2016 – £134,000). An amount of £34,000 (2016 – £101,000) was payable to APWML at the year end.

No fees have been paid to Ernst & Young during the period other than those reflected in the table above.

	Year ended 31 December 2017			Year ended 31 December 2016		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>7. Finance costs</b>						
Interest on bank loans	284	426	710	238	358	596

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

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
<b>8. Dividends on Ordinary equity shares</b>		
Amounts recognised as distributions to equity holders in the year:		
Fourth interim dividend 2016 – 2.75p per Ordinary share (2015 – 2.50p)	5,136	4,812
First interim dividend 2017 – 2.25p per Ordinary share (2016 – 2.00p)	4,170	3,784
Second interim dividend 2017 – 2.25p per Ordinary share (2016 – 2.00p)	4,139	3,771
Third interim dividend 2017 – 2.25p per Ordinary share (2016 – 2.00p)	4,134	3,757
	<b>17,579</b>	<b>16,124</b>

The table below sets out the total dividends declared in respect of the financial year. The revenue available for distribution by way of dividend for the year is £17,691,000 (2016 – £17,307,000).

Notes to the Financial Statements *continued*

	2017	2016
	£'000	£'000
First interim dividend 2017 – 2.25p per Ordinary share (2016 – 2.00p)	4,170	3,784
Second interim dividend 2017 – 2.25p per Ordinary share (2016 – 2.00p)	4,139	3,771
Third interim dividend 2017 – 2.25p per Ordinary share (2016 – 2.00p)	4,134	3,757
Fourth interim dividend 2017 – 2.25p per Ordinary share (2016 – 2.75p)	4,119	5,136
	<b>16,562</b>	<b>16,448</b>

The fourth interim dividend for 2017, amounting to £4,119,000 (2016 – fourth interim dividend of £5,136,000), has not been included as a liability in these financial statements as it was announced and paid after 31 December 2017.

## 9. Earnings per share

### Ordinary shares

The earnings per Ordinary share is based on the profit after taxation of £61,200,000 (2016 – £92,874,000) and on 184,685,211 (2016 – 189,072,288) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year excluding Ordinary shares held in treasury.

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

	Year ended 31 December 2017			Year ended 31 December 2016		
	Revenue	Capital	Total	Revenue	Capital	Total
Net profit/(loss) (£'000)	17,691	43,509	61,200	17,307	75,567	92,874
Weighted average number of Ordinary shares in issue <sup>A</sup>			184,685,211			189,072,288
Return per Ordinary share (pence)	9.58	23.56	33.14	9.15	39.97	49.12

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

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

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Opening valuation	428,908	356,939
Movements in the year:		
Purchases at cost	60,765	57,700
Sales – proceeds	(71,738)	(69,214)
Sales – realised gains/(losses)	12,951	(5,569)
Increase in investment holdings fair value	30,746	89,052
<b>Closing valuation at 31 December</b>	<b>461,632</b>	<b>428,908</b>
	£'000	£'000
Closing book cost	319,010	317,032
Unrealised gains on investments	142,622	111,876
<b>Closing valuation at 31 December</b>	<b>461,632</b>	<b>428,908</b>

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>The portfolio valuation</b>		
Listed on recognised stock exchanges at market valuation:		
Equities – UK	20,648	15,917
Equities – overseas	427,616	389,532
Bonds – overseas	13,368	23,459
<b>Total</b>	<b>461,632</b>	<b>428,908</b>

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>Gains/(losses) on investments held at fair value through profit or loss</b>		
Realised gains/(losses) on sales of investments	12,951	(5,569)
Unrealised gains on investments	30,746	89,052
	<b>43,697</b>	<b>83,483</b>

#### Transaction costs

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Purchases	71	49
Sales	72	64
	<b>143</b>	<b>113</b>

	2017 £'000	2016 £'000
<b>11. Debtors: amounts falling due within one year</b>		
Amounts due from brokers	–	192
Prepayments and accrued income	1,342	1,248
	<b>1,342</b>	<b>1,440</b>

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

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

##### (a) Bank loans

At the year end, the Company had the following unsecured bank loans:

Notes to the Financial Statements *continued*

	Interest rate %	2017 Local currency principal amount	Carrying amount £'000	Interest rate %	2016 Local currency principal amount	Carrying amount £'000
<b>Unsecured bank loans repayable within one year:</b>						
Hong Kong Dollar	2.023	212,500,000	20,095	1.467	212,500,000	22,181
United States Dollar	2.410	7,158,000	5,291	1.670	7,158,000	5,793
Sterling	2.218	10,000,000	10,000	–	–	–
<b>Total</b>			<b>35,386</b>			<b>27,974</b>
<b>Unsecured bank loans repayable in more than one year but no more than five years:</b>						
Sterling	–	–	–	2.218	10,000,000	10,000

At the date of signing this report, the loans of HK\$212,500,000 and US\$7,158,000 were rolled forward to 12 April 2018 at fixed interest rates of 1.61768% and 2.68957% respectively. On 3 March 2018 the £10,000,000 loan with Scotiabank Europe PLC matured and was replaced with a three year loan of £10,000,000 with Scotiabank Europe PLC at an interest rate of 2.179%. Financial covenants contained within the relevant loan agreements provide, inter alia, that the Company's NAV shall at no time be less than £185 million and that adjusted NAV coverage shall at no time be less than 4.0 to 1.0. At 31 December 2017 net assets were £432 million and borrowings were 8.2% thereof. The Company has complied with all financial covenants throughout the year.

	2017 £'000	2016 £'000
<b>(b) Other payables</b>		
Amounts due to brokers for purchase of shares for treasury	–	165
Investment management fees	302	1,108
Other amounts due	289	387
	<b>591</b>	<b>1,660</b>

	2017 £'000	2016 £'000
<b>13. Analysis of changes in financing during the year</b>		
Opening balance at 1 January	37,974	39,853
Cash flows	–	(6,773)
Foreign exchange movements	(2,588)	4,894
<b>Closing balance at 31 December</b>	<b>35,386</b>	<b>37,974</b>

	Ordinary shares (number)	Treasury shares (number)	Total shares (number)	£'000
<b>14. Stated capital</b>				
<b>Authorised Ordinary shares of no par value</b>	<b>Unlimited</b>	<b>Unlimited</b>	<b>Unlimited</b>	<b>Unlimited</b>
<b>Issued and fully paid Ordinary shares of no par value</b>				
At 31 December 2016	186,968,389	7,965,000	194,933,389	194,933
Shares purchased for treasury	(3,686,168)	3,686,168	–	–
<b>At 31 December 2017</b>	<b>183,282,221</b>	<b>11,651,168</b>	<b>194,933,389</b>	<b>194,933</b>

During the year 3,686,168 (2016 – 6,158,000) Ordinary shares were bought back by the Company for holding in treasury at a total cost of £7,780,000 (2016 – £10,154,000). At the year end 11,651,168 (2016 – 7,965,000) Ordinary shares were held in treasury, which represents 5.98% (2016 – 4.09%) of the Company's total issued share capital at 31 December 2017.

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

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

Since the year end a further 539,852 shares have been bought back for holding in treasury at a cost of £1,142,000.

#### Voting and other rights

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

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

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

	2017	2016
	£'000	£'000
<b>15. Retained earnings</b>		
<b>Capital reserve</b>		
At 1 January	185,050	119,637
Net currency gains/(losses)	2,355	(5,596)
Movement in unrealised fair value	30,746	89,052
Profit/(loss) on realisation of investments	12,951	(5,569)
Costs charged to capital	(2,543)	(2,320)
Buyback of Ordinary shares for treasury	(7,780)	(10,154)
<b>At 31 December</b>	<b>220,779</b>	<b>185,050</b>
<b>Revenue reserve</b>		
At 1 January	14,485	13,302
Revenue profit for the year	17,691	17,307
Dividends paid	(17,579)	(16,124)
<b>At 31 December</b>	<b>14,597</b>	<b>14,485</b>

#### 16. Net asset value per share Ordinary shares

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

Notes to the Financial Statements *continued*

	Net asset value per share 2017 p	Net asset values attributable 2017 £'000	Net asset value per share 2016 p	Net asset values attributable 2016 £'000
Ordinary shares	235.63	431,869	211.82	396,028

The net asset value per Ordinary share is based on 183,282,221 (2016 – 186,968,389) Ordinary shares, being the number of Ordinary shares in issue at the year end excluding Ordinary shares held in treasury.

## 17. Financial instruments

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

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

### Risk management framework

The directors of Aberdeen Private Wealth Managers Limited collectively assume responsibility for APWML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

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

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

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

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

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## Risk management

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

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

### (i) Market risk

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

#### Interest rate risk

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

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

#### Management of the risk

##### Financial assets

Although the majority of the Company's financial assets comprise equity shares which neither pay interest nor have a stated maturity date, at the year end the Company had four holdings in fixed rate overseas corporate bonds, DFCC Bank of £3,769,000, Green Dragon Gas of £4,425,000, ICICI Bank of £4,300,000 and AEON Credit Service of £874,000 (2016 – Yingde Gases of £2,551,000, DFCC Bank of £4,232,000, Green Dragon Gas of £4,916,000, ICICI Bank of £4,549,000 and Bank OCBC NISP of £7,211,000). Bond prices are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short-term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee entity.

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

##### Financial liabilities

The Company primarily finances its operations through use of equity, retained profits and bank borrowings. On 3 March 2015 the Company entered into a three-year £10 million facility with Scotiabank Europe PLC which was in addition to the existing unsecured three year £30 million multi currency revolving facility with Scotiabank (Ireland) Limited and details of the terms and conditions of the loans are disclosed in note 12. On 13 April 2017, the multi currency revolving facility with Scotiabank (Ireland) Limited was increased to £40 million. Interest is due on the Scotiabank Europe PLC loan quarterly with the next interest payment being due on 3 March 2018. The Scotiabank Europe PLC loan is included in creditors falling due within one year. Interest is due on Scotiabank (Ireland) Limited loans at the maturity date, being 12 January 2018 (loans have been subsequently rolled over, see note 12 for further details). The Scotiabank (Ireland) Limited loans are included in creditors falling due within one year.

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

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

Notes to the Financial Statements *continued*

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
<b>At 31 December 2017</b>				
<b>Assets</b>				
Chinese Overseas Corporate Bond	0.89	10.00	–	4,425
Indian Overseas Corporate Bond	6.60	9.15	–	4,300
Malaysian Overseas Corporate Bond	2.71	3.50	–	874
Sri Lankan Overseas Corporate Bond	0.83	9.63	–	3,769
Cash at bank – Sterling	–	–	4,819	–
Cash at bank – Taiwan Dollar	–	–	39	–
Cash at bank – US Dollar	–	–	14	–
			<b>4,872</b>	<b>13,368</b>

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
<b>Liabilities</b>				
Bank loan – Hong Kong Dollar	0.03	2.02	–	(20,095)
Bank loan – US Dollar	0.03	2.41	–	(5,291)
Bank loans – Sterling	0.17	2.22	–	(10,000)
			<b>–</b>	<b>(35,386)</b>

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
<b>At 31 December 2016</b>				
<b>Assets</b>				
Chinese Overseas Corporate Bonds	1.27	9.25	–	7,467
Indian Overseas Corporate Bond	7.61	9.15	–	4,549
Indonesian Overseas Corporate Bond	0.11	9.40	–	7,211
Sri Lankan Overseas Corporate Bond	1.83	9.63	–	4,232
Cash at bank – Sterling	–	–	5,275	–
Cash at bank – Taiwan Dollar	–	–	39	–
			<b>5,314</b>	<b>23,459</b>

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
<b>Liabilities</b>				
Bank loan – Hong Kong Dollar	0.07	1.47	–	(22,181)
Bank loan – US Dollar	0.07	1.67	–	(5,793)
Bank loans – Sterling	1.17	2.22	–	(10,000)
			<b>–</b>	<b>(37,974)</b>

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

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

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

### Interest rate sensitivity

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

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

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

The Directors have considered the potential impact of a 100 basis point movement in interest rates and concluded that it would not be material in the current year (2016 – not material). This consideration is based on the Company's exposure to interest rates on its floating rate cash balances, fixed interest securities and bank loans.

### Foreign currency risk

A significant proportion of the Company's investment portfolio is invested in overseas securities and the Balance Sheet can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis. A significant proportion of the Company's borrowings, as detailed in note 12, is in foreign currency as at 31 December 2017.

### Management of the risk

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

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

	31 December 2017			31 December 2016		
	Equity investments £'000	Net monetary assets /(liabilities) £'000	Total currency exposure £'000	Equity investments £'000	Net monetary assets /(liabilities) £'000	Total currency exposure £'000
Australian Dollar	82,622	–	82,622	89,181	–	89,181
Chinese Renminbi	8,854	–	8,854	–	–	–
Hong Kong Dollar	62,393	(20,095)	42,298	60,429	(22,181)	38,248
Indian Rupee	–	4,300	4,300	–	4,549	4,549
Indonesian Rupiah	4,839	–	4,839	5,601	7,211	12,812
Japanese Yen	20,791	–	20,791	15,825	–	15,825
Korean Won	15,405	–	15,405	7,868	–	7,868
Malaysian Ringgit	29,371	874	30,245	25,719	–	25,719
Singapore Dollar	125,941	–	125,941	105,579	–	105,579
Taiwanese Dollar	29,125	39	29,164	26,948	39	26,987
Thailand Baht	40,289	–	40,289	48,049	–	48,049
US Dollar	7,986	2,917	10,903	4,333	5,906	10,239
<b>Total</b>	<b>427,616</b>	<b>(11,965)</b>	<b>415,651</b>	<b>389,532</b>	<b>(4,476)</b>	<b>385,056</b>

Notes to the Financial Statements *continued*

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

**Foreign currency sensitivity**

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

	2017	2016
	£'000	£'000
Australian Dollar	8,262	8,918
Chinese Renminbi	885	–
Hong Kong Dollar	4,230	3,825
Indian Rupee	430	455
Indonesian Rupiah	484	1,281
Japanese Yen	2,079	1,583
Korean Won	1,541	787
Malaysian Ringgit	3,025	2,572
Singapore Dollar	12,594	10,558
Taiwanese Dollar	2,916	2,698
Thailand Baht	4,029	4,805
US Dollar	1,090	1,024
<b>Total</b>	<b>41,565</b>	<b>38,506</b>

**Equity price risk**

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

**Management of the risk**

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process, as detailed on pages 8 and 74 respectively, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on recognised stock exchanges.

**Concentration of exposure to equity price risks**

A geographic analysis of the Company's investment portfolio is shown on page 23, which shows that the majority of the investments' value is in the Asia Pacific region. It should be recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

**Equity price risk sensitivity**

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

	2017		2016	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
<b>Statement of Comprehensive Income – profit after taxation</b>				
Revenue return – increase /(decrease)	–	–	–	–
Capital return – increase /(decrease)	44,826	(44,826)	40,545	(40,545)
<b>Total profit after taxation – increase /(decrease)</b>	<b>44,826</b>	<b>(44,826)</b>	<b>40,545</b>	<b>(40,545)</b>
<b>Equity</b>	<b>44,826</b>	<b>(44,826)</b>	<b>40,545</b>	<b>(40,545)</b>

#### (ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, which stood at £35,977,000 (2016 – £39,634,000).

#### Management of the risk

Liquidity risk is not considered to be significant as the Company's assets comprise mainly cash and readily realisable securities, which can be sold to meet funding commitments if necessary and these amounted to £4,872,000 and £461,632,000 (2016 – £5,314,000 and £428,908,000) at the year end respectively. Short-term flexibility is achieved through the use of loan facilities.

#### Maturity profile

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

	Within 1 year £'000	Within 2-3 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
<b>At 31 December 2017</b>					
<b>Fixed rate</b>					
Bank loans	(35,386)	–	–	–	(35,386)
Interest on bank loans	(96)	–	–	–	(96)
	<b>(35,482)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(35,482)</b>
<b>Floating rate</b>					
Cash	<b>4,872</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,872</b>
<b>At 31 December 2016</b>					
<b>Fixed rate</b>					
Bank loans	(27,974)	(10,000)	–	–	(37,974)
Interest on bank loans	(292)	(53)	–	–	(345)
	<b>(28,266)</b>	<b>(10,053)</b>	<b>–</b>	<b>–</b>	<b>(38,319)</b>
<b>Floating rate</b>					
Cash	<b>5,314</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,314</b>

On 13 April 2017 the Company entered into an unsecured three year £40 million multi currency revolving facility agreement with Scotiabank (Ireland) Designated Activity Company. Under the terms of the New Facility the Company

also has the option to increase the level of the commitment from £40 million to £60 million at any time, subject to the identification by the Manager of suitable investment opportunities and Lender credit approval. The Company also has a three year £10,000,000 term facility with Scotiabank Europe PLC details of which are disclosed in note 12 on page 60.

### (iii) Credit risk

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

### Management of the risk

- Where the investment manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default. The Company has the following holdings:
  - a Chinese overseas corporate bond issued by Green Dragon Gas. This bond is non-rated;
  - an Indian overseas corporate bond issued by ICICI Bank. This bond is non-rated;
  - a Malaysian overseas corporate bond issued by AEON Credit Service. This bond is non-rated; and
  - a Sri Lankan overseas corporate bond issued by DFCC Bank. The issuer's current credit rating at Moody's is B+.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk to the Company of default;
- The risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to the custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Manager's Compliance department carries out periodic reviews of the custodian's operations and reports its finding to the Manager's Risk Management Committee. It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties;
- Cash is held only with reputable banks with high quality external credit ratings.

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

### Credit risk exposure

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

	2017		2016	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Non-current assets</b>				
Investments held at fair value through profit or loss	461,632	13,368	428,908	23,459
<b>Current assets</b>				
Cash at bank	4,872	4,872	5,314	5,314
Other receivables	1,342	1,342	1,440	1,440
	<b>467,846</b>	<b>19,582</b>	<b>435,662</b>	<b>30,213</b>

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

### (iv) Gearing risk

The Company's policy is to increase its exposure to equity markets through the judicious use of borrowings. When borrowings are invested in such markets, the effect is to magnify the impact on shareholders' funds of changes, both positive and negative, in the value of the portfolio. During the year the Company's borrowings were short-term loans, details of which can be found in note 12. The loans are carried at amortised cost, using the effective interest rate method in the financial statements.

## Management of the risk

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

### 18. Capital management policies and procedures

The Company's capital management objectives are:

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

The Company's capital at 31 December comprises:

	2017 £'000	2016 £'000
<b>Debt</b>		
Borrowings under the multi-currency loan facility	25,386	27,974
Borrowing under the three year loan facility	10,000	10,000
	<b>35,386</b>	<b>37,974</b>
	2017 £'000	2016 £'000
<b>Equity</b>		
Equity share capital	194,933	194,933
Retained earnings and other reserves	236,936	201,095
	<b>431,869</b>	<b>396,028</b>
<b>Debt as a % of net assets</b>	<b>8.19</b>	<b>9.59</b>

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

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

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

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

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

Fees payable during the year to the Directors are disclosed within the Directors' Remuneration Report on page 39. An amount of £6,375 (2016 – £6,750) was payable at the year end in respect of Mr Young's fees.

Mr Young is a director of Aberdeen Asset Management PLC, of which Aberdeen Private Wealth Management Limited ("APWM") is a subsidiary. Management, promotional activities and secretarial and administration services are provided by APWM with details of transactions during the year and balances outstanding at the year end disclosed in notes 5 and 6.

**20. Controlling party**

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

**21. Fair value hierarchy**

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

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

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

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

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

		Level 1	Level 2	Level 3	Total
	Note	£'000	£'000	£'000	£'000
<b>At 31 December 2017</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	448,264	–	–	448,264
Quoted bonds	b)	–	13,368	–	13,368
<b>Net fair value</b>		<b>448,264</b>	<b>13,368</b>	<b>–</b>	<b>461,632</b>
<b>At 31 December 2016</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	405,449	–	–	405,449
Quoted bonds	b)	–	23,459	–	23,459
<b>Net fair value</b>		<b>405,449</b>	<b>23,459</b>	<b>–</b>	<b>428,908</b>

**a) Quoted equities**

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

**b) Quoted bonds**

The fair value of the Company's investments in quoted bonds has been determined by reference to their quoted bid prices at the reporting date. Investments in quoted bonds are not considered to trade in active markets and accordingly the Company's holding in quoted bonds as at 31 December 2017 has been classified as Level 2.

**Fair value of financial assets**

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

**Fair values of financial liabilities**

The fair value of borrowings as at the 31 December 2017 has been estimated at £35,386,000 which was the same as the carrying value due to the short term nature of the loans. At 31 December 2016 the fair value was £38,033,000 (carrying value amount per Balance Sheet – £37,974,000) which was calculated using a discounted cash flow valuation technique. Under the fair value hierarchy in accordance with IFRS 13, these borrowings can be classified as Level 2.

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## 22. Alternative performance measures

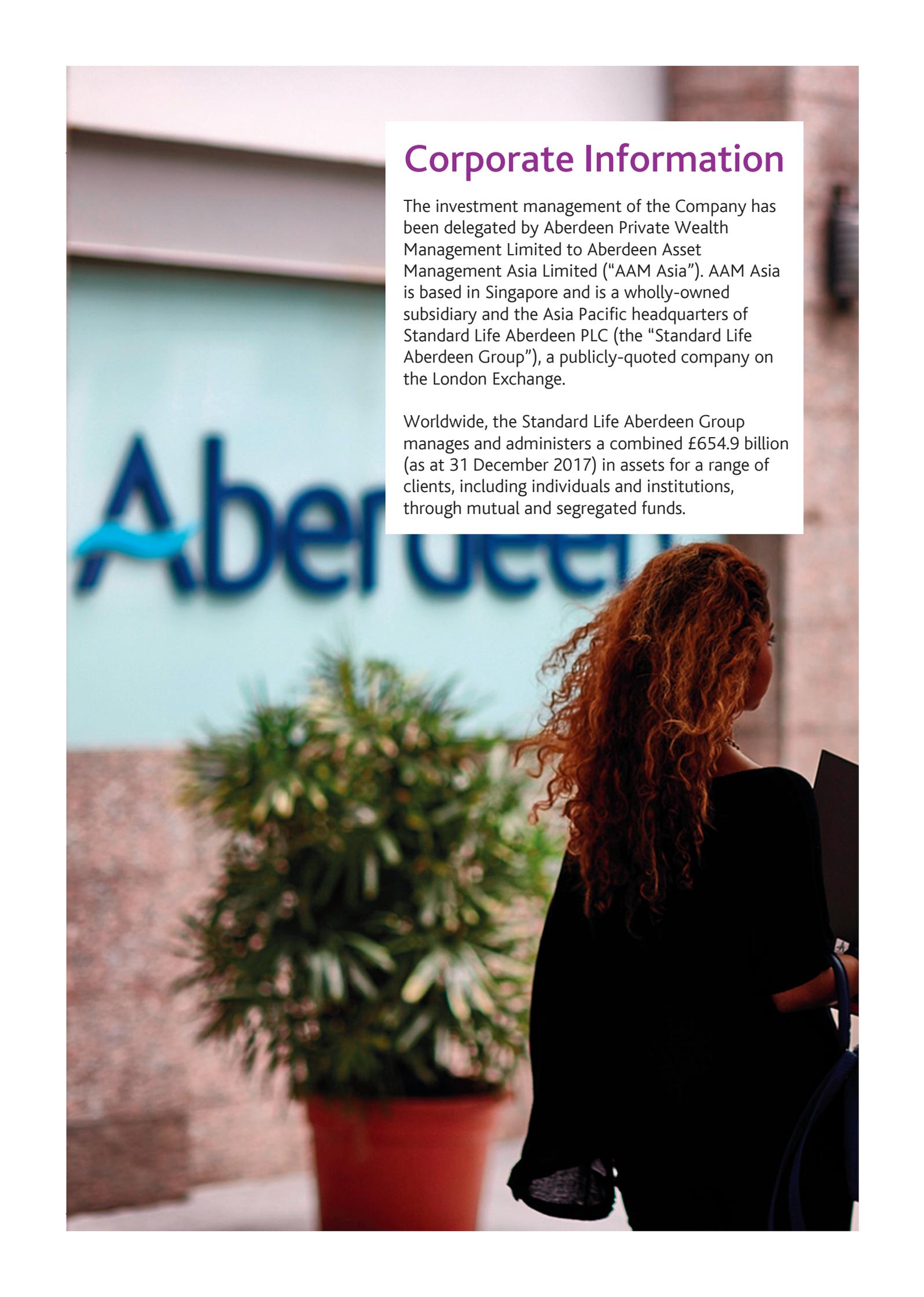
Total return is considered to be an alternative performance measure. NAV total return involves investing the same net dividend in the NAV of the Company on the date on which that dividend was earned.

Whilst share price is not a financial measure of the Company's performance, total return to Shareholders involves reinvesting the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the years ended 31 December 2017 and 31 December 2016.

<b>2017</b>	<b>Dividend rate</b>	<b>NAV</b>	<b>Share price</b>
31 December 2016	N/A	211.82p	194.25p
19 January 2017	2.75p	216.85p	204.00p
27 April 2017	2.25p	222.29p	208.25p
20 July 2017	2.25p	232.71p	216.00p
19 October 2017	2.25p	235.14p	217.50p
31 December 2017	N/A	235.63p	218.00p
<b>Total return</b>		<b>16.0%</b>	<b>17.4%</b>

<b>2016</b>	<b>Dividend rate</b>	<b>NAV</b>	<b>Share price</b>
31 December 2015	N/A	170.58p	159.00p
21 January 2016	2.50p	157.18p	140.50p
21 April 2016	2.00p	186.39p	171.88p
21 July 2016	2.00p	205.60p	187.00p
20 October 2016	2.00p	218.61p	206.00p
31 December 2016	N/A	211.82p	194.25p
<b>Total return</b>		<b>29.9%</b>	<b>28.4%</b>



## Corporate Information

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

Worldwide, the Standard Life Aberdeen Group manages and administers a combined £654.9 billion (as at 31 December 2017) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

## Information about the Investment Manager

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### Aberdeen Asset Management Asia Limited

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

Worldwide, the Standard Life Aberdeen Group manages and administers a combined £654.9 billion (as at 31 December 2017) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

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

### The Investment Team Senior Managers



**Hugh Young**

**Managing Director**

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



**Flavia Cheong**

**Head of Equities – Asia Pacific ex Japan**

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



**Chris Wong**

**Senior Investment Manager**

BA in accounting and finance from Heriot Watt University. Joined AAM Asia in 2001 having previously been an associate director at Andersen Corporate Finance.



**Adrian Lim**

**Senior Investment Manager**

CFA® charterholder, B.Acc from Nanyang Technological University (Singapore). Joined AAM Asia in 2000. Previously he was an associate director at Arthur Andersen advising on mergers & acquisitions in South East Asia.



**Yoojeong Oh**

**Senior Investment Manager**

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

## Information about the Investment Manager continued

### The Investment Process

#### Philosophy and Style

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

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

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

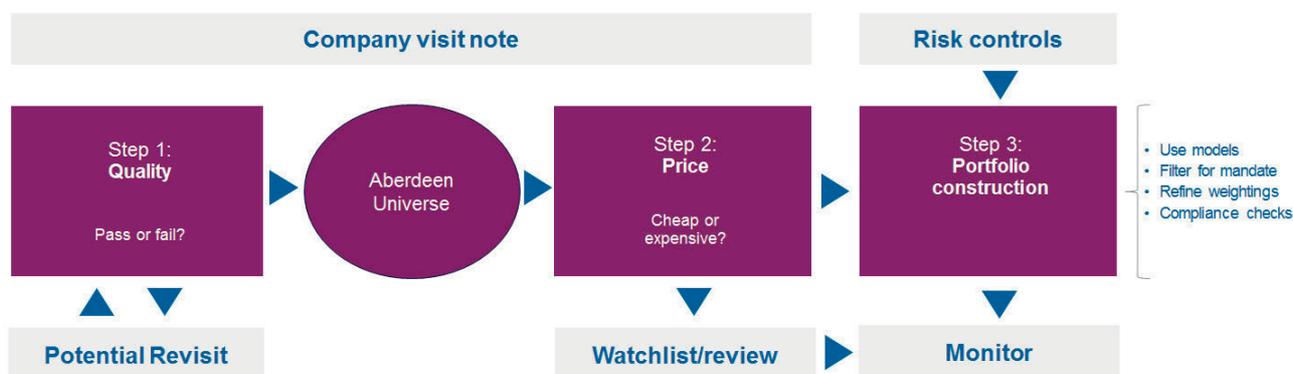
Manager’s portfolios are generally conservatively run, with an emphasis on traditional buy-and-hold. However, the Investment Manager takes opportunities offered by what it sees as anomalous price movements within stockmarkets to either top up or top slice positions, which typically accounts for the bulk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

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

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

#### Risk Controls

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



## Pre-Investment Disclosure Document

Under the European Alternative Investment Fund Management Directive (AIFMD), in order to market the Company's shares within the UK, the Company and the Manager (categorized as a non-EU alternative investment fund manager) are required to make available certain disclosures to investors. These are published in a pre-investment disclosure document (PIDD) which can be found on the website [asian-income.co.uk](http://asian-income.co.uk). The periodic disclosures required to be made by the Manager under AIFMD are set out on page 81.

## Comparative Indices

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

## Website

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

## Investor Warning

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

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

## Dividend Tax Allowance

The annual tax-free personal allowance on dividend income is £2,000 for the 2018/2019 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal

circumstances. The Company will provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

## Suitable for Retail/NMPI Status

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

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

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

## Keeping You Informed

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

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, internet users may email AAM at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

## Shareholder Enquiries

In the event of queries regarding their holdings of shares, lost certificates dividend payments, registered details, etc shareholders holding their shares in the Company directly

should contact the registrars, Link Market Services Trustees Limited, PO Box 532, St Helier Jersey JE4 5UW (e-mail [shareholderenquiries@linkassetsservices.com](mailto:shareholderenquiries@linkassetsservices.com)) or Tel: 0371 664 0300 Lines are open 9.00 a.m. to 5.30 p.m. (London Time) Monday to Friday. Calls may be recorded and monitored randomly for security and training purposes.

Changes of address must be notified to the registrars in writing. Any general enquiries about the Company should be directed to the Company Secretary, Aberdeen Asian Income Fund Limited, 40 Princes Street, Edinburgh EH2 2BY or by emailing [company.secretary@aberdeenstandard.com](mailto:company.secretary@aberdeenstandard.com).

### Direct

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

### Aberdeen's Investment Plan for Children

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

### Aberdeen's Investment Trust Share Plan

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

### Stocks and Shares ISA

An investment of up to £20,000 can be made in the tax year 2017/2018.

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

### ISA Transfer

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

### Literature Request Service

For literature and application forms for the Company and the Aberdeen Group's investment company products, please contact:

Telephone: 0808 500 0040  
[www.invtrusts.co.uk/en/investmenttrusts/literature-library](http://www.invtrusts.co.uk/en/investmenttrusts/literature-library)

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

### Aberdeen Investment Trust Administration

PO Box 11020  
Chelmsford  
Essex, CM99 2DB  
Telephone: 0808 500 0040  
(free when dialling from a UK landline)

Terms and conditions for the AAM managed savings products can also be found under the literature section of [invtrusts.co.uk](http://invtrusts.co.uk).

### Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website: [invtrusts.co.uk/en/investmenttrusts/literature-library](http://invtrusts.co.uk/en/investmenttrusts/literature-library).

### Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only

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stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

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

#### **Discretionary private client stockbrokers**

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

#### **Independent Financial Advisers**

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

#### **Regulation of stockbrokers**

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

Tel: 0800 111 6768 or

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

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

*The above information on pages 75 to 77 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.*

## Glossary of Terms and Definitions

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<b>AAM Asia</b>	Aberdeen Asset Management Asia Limited – the Company’s Investment Manager.
<b>Aberdeen Standard Investments</b>	The investment arm of the Standard Life Aberdeen Group.
<b>AIC</b>	The Association of Investment Companies – the AIC is the trade body for closed-ended investment companies ( <a href="http://theaic.co.uk">theaic.co.uk</a> ).
<b>AIFMD</b>	The Alternative Investment Fund Managers Directive – The AIFMD is European legislation which created a European-wide framework for regulating managers of ‘alternative investment funds’ (AIFs). It is designed to regulate any fund which is not a UCITS (Undertakings for Collective Investments in Transferable Securities) fund and which is managed/marketed in the EU. The Company has been designated as an AIF.
<b>APWML</b>	Aberdeen Private Wealth Management Limited – the Company’s Manager.
<b>Asset Cover</b>	The value of a company’s net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
<b>Derivative</b>	A derivative is a financial security with a value that is reliant upon or derived from an underlying asset or group of assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its price is determined by fluctuations in the underlying asset.
<b>Disclosure Guidance and Transparency Rules or DTRs</b>	The DTRs contain requirements for publishing and distributing annual financial reports, half-yearly financial reports and other regulatory statements, and are applicable to investment companies which are listed on the main market of the London Stock Exchange.
<b>Discount</b>	The amount by which the market price per share of an investment company is lower than the NAV per share. The discount is normally expressed as a percentage of the NAV per share.
<b>Dividend Cover</b>	Earnings per share divided by dividends per share expressed as a ratio.
<b>Dividend Yield</b>	The annual dividend expressed as a percentage of the share price.
<b>Key Information Document or KID</b>	The Packaged Retail and Insurance-based Investment Products (“PRIIPS”) Regulation requires the Manager, as PRIIP manufacturer, to prepare a key information document (“KID”) in respect of the Company. This KID must be made available by the Investment Manager to retail investors prior to them making any investment decision and is available via a link on the Company’s website. The Company is not responsible for the information contained in the KID and shareholders should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.
<b>Financial Conduct Authority or FCA</b>	The FCA issues the Listing Rules and is responsible for the regulation of AFML.
<b>Investment Manager or AAM Asia</b>	Aberdeen Asset Management Asia Limited.
<b>Manager or APWML</b>	Aberdeen Private Wealth Management Limited.
<b>Net Asset Value or NAV</b>	The value of total assets less liabilities. Liabilities for this purpose includes current and long-term liabilities. The NAV divided by the number of shares in issue (excluding all shares held in treasury) produces the NAV per share.
<b>Net Gearing</b>	Net gearing is calculated by dividing Total Assets (as defined below) less cash or cash equivalents by shareholders’ funds expressed as a percentage (the AIC basis).

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<b>Official List</b>	The FCA's Official List is the definitive record of whether a company's securities are officially listed in the UK. Among other things, each entry in the Official List shows the: <ul style="list-style-type: none"> <li>• security listed;</li> <li>• its issuer; and</li> <li>• the security's listing category - the set of obligations that apply to the issuer regarding that particular listing</li> </ul>
<b>Ongoing Charges</b>	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard method.
<b>Ordinary Shares</b>	The Company's Ordinary Shares give shareholders the entitlement to all of the capital growth in the Company's assets and to all the income from the Company that is resolved to be distributed. The Ordinary Shares are in registered form and traded on the London Stock Exchange's Main Market. Subject to the Articles of Association, on a show of hands every registered holder of Ordinary Shares (a shareholder) who is present in person (or, being a corporation, by representative) shall have one vote. On a poll every shareholder present in person (or, being a corporation, by representative) or by proxy shall be entitled to one vote in respect of each Ordinary Share held. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
<b>PIDD</b>	Pre-Investment Disclosure Document. Aberdeen and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD'), a copy of which can be found on the Company's website.
<b>Premium</b>	The amount by which the market price per share of an investment company exceeds the NAV per share. The premium is normally expressed as a percentage of the NAV per share.
<b>Price/Earnings Ratio</b>	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
<b>Prior Charges</b>	The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
<b>Standard Life Aberdeen Group</b>	The Standard Life Aberdeen PLC group of companies.
<b>Total Assets</b>	Total Assets less current liabilities (before deducting prior charges as defined above).
<b>Total Return</b>	Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date to which that dividend was earned, eg quarter end, half year or year end date. Information relevant to the reporting period is disclosed in note 22 on page 71.
<b>Voting Rights</b>	In accordance with the Articles of Association of the Company, on a show of hands, every member (or duly appointed proxy) present at a general meeting of the Company has one vote; and, on a poll, every member present in person or by proxy shall have one vote for Ordinary share held.
<b>Winding-Up Entitlements</b>	On a winding up of the Company, any surplus assets available after payment of all debts and satisfaction of all liabilities of the Company shall be applied in repaying the Ordinary shareholders the amounts paid up on such shares. Any surplus shall be divided among the holders of Ordinary shares pari passu according to the amount paid up on such shares respectively.

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# Your Company's Share Capital History

## Issued Share Capital at 31 December 2017

183,282,221	Ordinary Shares of no par value
11,651,168	Ordinary Shares of no par value held in Treasury

## Capital History

20 December 2005	110,000,000 Ordinary Shares placed at 100p per share and 22,000,000 Warrants issued at 10p per Warrant. Ordinary Share issue applicants were entitled to purchase Warrants on the basis of one Warrant for every 10 Ordinary Shares applied for.
Year to 31 December 2007	800,000 Ordinary Shares of no par value purchased in the market for cancellation
Year to 31 December 2008	760,000 Ordinary Shares of no par value purchased in the market for cancellation
Year to 31 December 2009	1,350,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV
11 May 2010	160,999 Warrants exercised resulting in the issue of 160,999 new Ordinary shares
13 October 2010	885,062 Warrants exercised resulting in the issue of 885,062 new Ordinary shares
Year to 31 December 2010	7,199,001 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV
16 May 2011	14,793,009 Warrants exercised resulting in the issue of 14,793,009 new Ordinary shares
5 October 2011	5,800 Warrants exercised resulting in the issue of 5,800 new Ordinary shares
Year to 31 December 2011	6,250,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV
24 May 2012	1,766,974 Warrants exercised resulting in the issue of 1,766,974 new Ordinary shares
15 October 2012	814,113 Warrants exercised resulting in the issue of 814,113 new Ordinary shares
16 November 2012	60,000,000 C shares issued by way of a Placing and Offer for Subscription
Year to 31 December 2012	9,517,388 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV
4 February 2013	60,000,000 C shares converted into 30,552,000 new Ordinary Shares
17 May 2013	3,574,043 Warrants exercised resulting in the issue of 3,574,043 new Ordinary Shares. Following the exercise no Warrants remain
Year to 31 December 2013	8,425,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV
Year to 31 December 2014	800,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV
Year to 31 December 2015	500,000 Ordinary Shares of no par value issued for cash at a premium to the prevailing NAV. 1,907,000 Ordinary Shares of no par value purchased in the market at a discount to the prevailing NAV (of which 1,807,000 were held in treasury and 100,000 were cancelled)
Year to 31 December 2016	6,158,000 Ordinary Shares of no par value purchased in the market at a discount to the prevailing NAV for treasury
Year to 31 December 2017	3,686,168 Ordinary Shares of no par value purchased in the market at a discount to the prevailing NAV for treasury

## Alternative Investment Fund Managers Directive Disclosures (Unaudited)

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The Manager and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD') which can be found on the Company's website [asian-income.co.uk](http://asian-income.co.uk). There have been no material changes to the disclosures contained within the PIDD since the last publication in April 2017.

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

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 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 APWML
- In accordance with the requirements of the AIFMD, the Manager's remuneration policy is available from the Company Secretaries, Aberdeen Private Wealth Management Limited on request (see contact details on page 86) and the remuneration disclosures in respect of the APWML reporting period for the year ended 30 September 2017 are available on the Company's website.

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

## Notice of Annual General Meeting

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Notice is hereby given that the twelfth Annual General Meeting of Aberdeen Asian Income Fund Limited will be held at 1<sup>st</sup> Floor, Sir Walter Raleigh House, 48 – 50 Esplanade, St Helier, Jersey JE2 3QB at 10.30 a.m. on 16 May 2018 for the following purposes:

### Ordinary Business

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

1. To receive the Directors' Report and financial statements for the year ended 31 December 2017, together with the Auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 December 2017 (other than the Directors' Remuneration Policy).
3. THAT Shareholders approve the Company's Dividend Policy to continue to pay four quarterly interim dividends per year.
4. To re-elect Mr H Young as a Director.
5. To re-elect Mr C Clarke as a Director.
6. To elect Mr M Florance as a Director.
7. To re-appoint Ernst & Young LLP as independent Auditor and to authorise the Audit Committee to agree their remuneration.

### Special Business

To consider and, if thought fit, pass the following resolutions, of which resolutions 8 and 9 will be proposed as special resolutions and resolution 10 will be proposed as an ordinary resolution:

8. THAT, the Company be and is hereby generally and unconditionally authorised in accordance with the Articles of Association to make market purchases on a stock exchange of and to cancel or hold in treasury Ordinary Shares of no par value in the capital of the Company ("Ordinary Shares"), provided that:
    - a) the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99% of the issued share capital of the Company as at the date of the passing of this resolution;
    - b) the maximum price which may be paid for an Ordinary Share shall not be more than the higher of (i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share taken from the Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;
    - c) the minimum price which may be paid for an Ordinary Share is 1 pence;
    - d) the Company be authorised to purchase Ordinary Shares out of its unrealised capital or revenue profits less its capital or revenue losses, whether realised or unrealised; and,
    - e) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2019 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time.
  9. THAT, the Directors be empowered to allot Ordinary Shares for cash (or sell Ordinary Shares held as treasury shares) up to a maximum amount of 18,238,821 Ordinary Shares (or 10% of the total number of Ordinary Shares in issue as at the date of the passing of this resolution) as if Article 10 of the Company's Articles of Association did not apply, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution) at the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2019 or 18 months from the date of the passing of this resolution but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require Ordinary Shares to be issued after such expiry and the Directors of the Company may issue Ordinary Shares in pursuance of any such offer or agreement as if such expiry had not occurred.
  10. THAT the proposed investment policy set out under the heading "Investment Policy" in the Appendix to the Annual Report and Financial Statements dated 6 April 2018, a copy of which is produced to the meeting and initialled for the purposes of identification by the Chairman of the meeting, be and is hereby approved and adopted with immediate effect as the investment policy of the Company to the exclusion of all previous investment policies of the Company.
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1<sup>st</sup> Floor, Sir Walter Raleigh House  
48 – 50 Esplanade, St Helier, Jersey JE2 3QB  
16 April 2018

By order of the Board  
**Aberdeen Private Wealth Management Limited**  
Secretaries

### Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to The Registrars, Aberdeen Asian Income Fund Limited, Link Asset Services, PXS, 34 Beckenham Road, Beckenham Kent BR3 4TU so as to arrive not less than forty eight hours before the time fixed for the meeting.
3. In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than forty eight hours before the time fixed for the meeting (or, in the event that the meeting be adjourned, on the register of members forty eight hours before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than forty eight hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.
4. Notes on CREST Voting.  
CREST Members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, which is available to download from the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.  
In order for a proxy appointment or instruction made using the CREST system to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 10.30am on 14 May 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications Host) from which the issuer's agent is able to retrieve the message.  
CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages.
5. Normal systems timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or CREST sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s)) takes(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual.  
The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case, a proxy form must be received by the Company's registrars no later than 10.30am on 14 May 2018.
6. Shareholders are advised that unless otherwise provided, the telephone numbers and website addresses which may be set out in this Notice or the Form of Proxy/Letter of Direction are not to be used for the purpose of serving information or documents on the Company including the service of information or documents relating to proceedings at the Company's Annual General Meeting. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's Ordinary Shares already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
7. No Director has a service contract with the Company.
8. The Register of Directors' interests is kept by the Company and available for inspection.
9. As at 6 April 2018 (being the last business day prior to the publication of this notice) the Company's issued Ordinary Share capital comprised 182,388,211 Ordinary Shares of no par value and 12,545,178 Treasury shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6 April 2018 was 182,388,211.
10. There are special arrangements for holders of Ordinary Shares through the Aberdeen Share Plan and ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report

# Appendix – Proposed Amendments to Investment Policy

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## Proposed Investment Objective

The Company's current Investment Objective and Investment Policy are disclosed on pages 8 and 9. It is proposed to adopt the investment policy set out under the heading "Investment Policy" below as the investment policy of the Company. The proposed changes are highlighted for ease of identification.

## Investment Policy

### Asset Allocation

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

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

The Company's investment policy is flexible, enabling it to invest in all types of securities, including equity shares, preference shares, debt, convertible securities, warrants and other equity-related securities.

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

The Company invests in small, mid and large capitalisation companies. The Company's policy is not to acquire securities that are unquoted or unlisted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be quoted or listed if the Investment Manager considers this to be appropriate.

Typically, the portfolio will comprise ~~around 50~~ between 40 and 70 holdings (but without restricting the Company from holding a more or less concentrated portfolio in the future).

### Risk Diversification

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

In addition, the Company will not:

- invest, either directly or indirectly, or lend more than 20% of its Total Assets to any single underlying issuer (including the underlying issuer's subsidiaries or affiliates), provided that this restriction does not apply to cash deposits awaiting investment;
- invest more than 20% of its Total Assets in other collective investment undertakings (open-ended or closed-ended);
- expose more than 20% of its Total Assets to the creditworthiness or solvency of any one counterparty (including the counterparty's subsidiaries or affiliates);
- invest in physical commodities;
- enter into derivative transactions for speculative purposes;
- take legal or management control of any of its investee companies; or
- conduct any significant trading activity.

The Company may invest in derivatives, financial instruments, money market instruments and currencies ~~solo~~ solo ~~for investment purposes (including the writing of put and call options to enhance investment returns) as well as~~ for investment purposes (including the writing of put and call options to enhance investment returns) as well as for the purpose of efficient portfolio management (i.e. ~~solo~~ solo for the purpose of reducing, transferring or eliminating investment risk in the Company's investments, including any technique or instrument used to provide protection against foreign exchange and credit risks).

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

### **Gearing Policy**

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

The percentage investment and gearing limits set out under this sub-heading "Investment Policy" are only applied at the time that the relevant investment is made or borrowing is incurred.

In the event of any breach of the Company's investment policy, shareholders will be informed of the actions to be taken by the Investment Manager by an announcement issued through a Regulatory Information Service or a notice sent to shareholders at their registered addresses in accordance with the Articles of Association.

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

# Contact Addresses

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## Directors

Peter Arthur, Chairman  
Charles Clarke, Senior Independent Director  
Krystyna Nowak  
Hugh Young  
Ian Cadby  
Mark Florance (*appointed 10 May 2017*)

## Manager, Secretary & Registered Office

Aberdeen Private Wealth Management Limited  
1<sup>st</sup> Floor, Sir Walter Raleigh House  
48 – 50 Esplanade  
St Helier  
Jersey JE2 3QB

Tel: 01534 758 847

## Registered in Jersey with Number 91671

## Investment Manager

Aberdeen Asset Management Asia Limited  
21 Church Street  
#01-01 Capital Square Two  
Singapore 049480

## Registrars

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

Tel: 01534 847 000

## Transfer Agents

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

Tel: 0371 664 0300  
(lines are open 9.00am-5.30pm Mon-Fri)  
Tel International: (+44 208 639 3399)  
e-mail: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)  
[signalshares.com](http://signalshares.com)

## Website

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

## Bankers

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

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

## Solicitors

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

## Jersey Lawyers

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

## Stockbrokers

Stifel Nicolaus Europe Limited  
150 Cheapside  
London EC2V 6ET

## Independent Auditor

Ernst & Young LLP  
Liberation House  
Castle Street  
St Helier  
Jersey JE1 1EY

## Custodian

BNP Security Services S.A Jersey Branch

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

MIXWGC.99999.SL.832

## Legal Entity Identifier (LEI)

549300U76MLZF5F8MN87







