

# abrdn China Investment Company Limited

(Formerly Aberdeen Emerging Markets Investment Company Limited)

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



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If you have sold or otherwise transferred all your Ordinary shares in abrdn China Investment Company Limited, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

#### Visit our Website

To find out more about abrdn China Investment Company Limited, please visit [abrdnchina.co.uk](http://abrdnchina.co.uk)



abrdn Investment Trusts



@abrdnTrusts

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

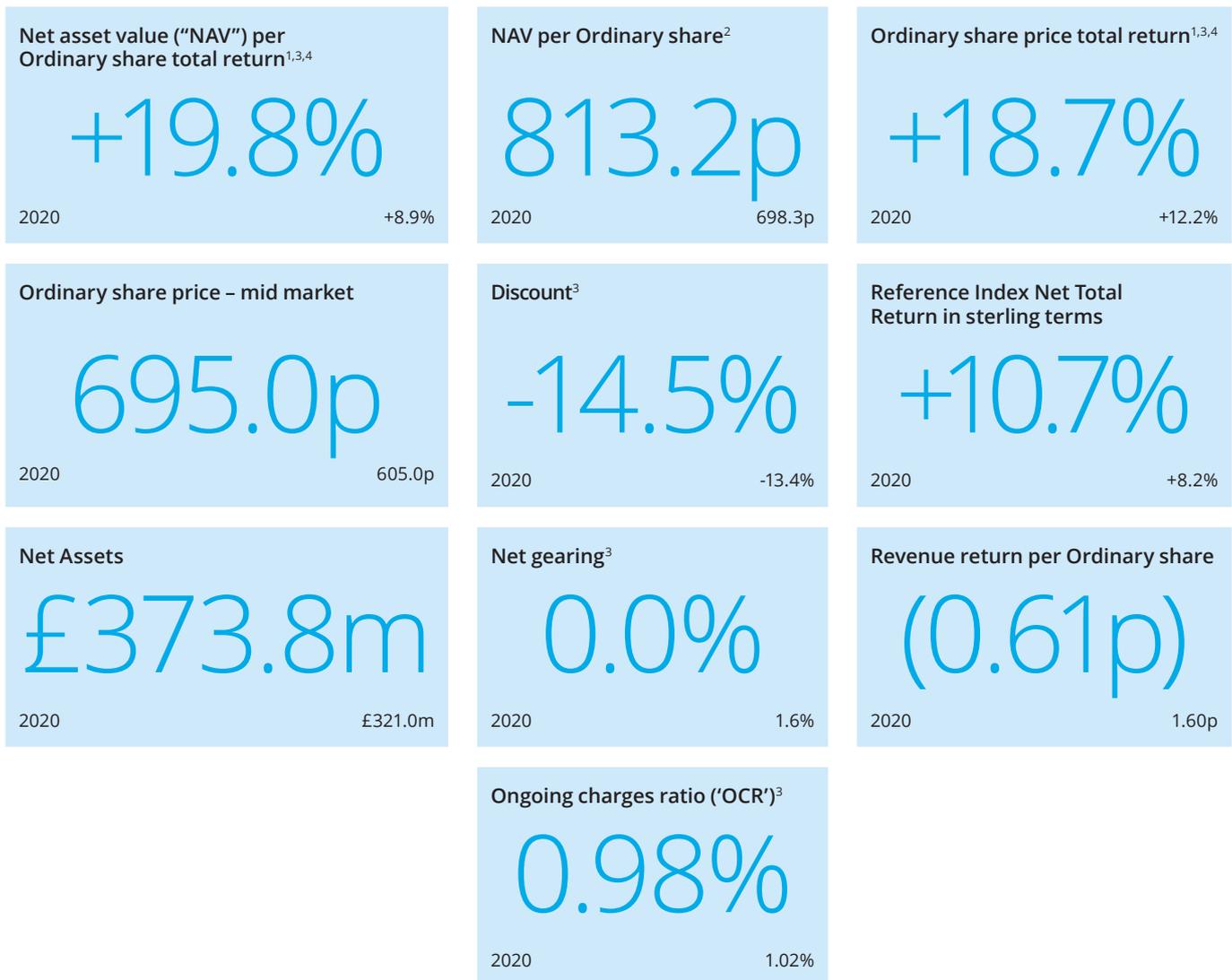
The Company's name, objective and investment policy were changed following approval by shareholders at an Extraordinary General Meeting on 26 October 2021, and in November 2021 the Company completed its combination with Aberdeen New Thai Investment Trust PLC.

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

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# Financial Highlights



<sup>1</sup> Performance figures stated above include reinvestment of dividends on the ex-date

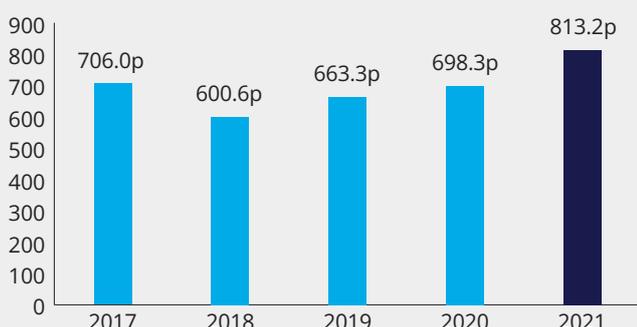
<sup>2</sup> See note 14 in the Notes to these Financial Statements for basis of calculation

<sup>3</sup> Definitions of these Alternative Performance Measures ('APMs') together with how these have been calculated can be found on pages 77 and 78

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

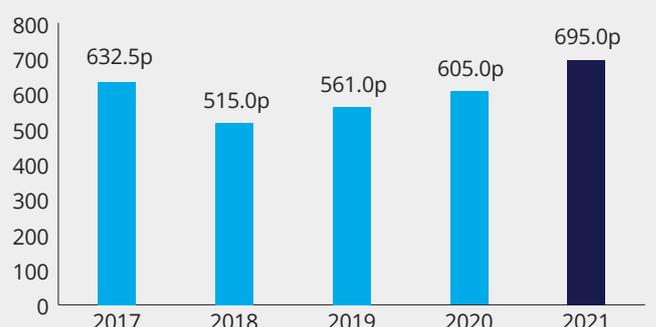
## NAV per ordinary share

At 31 October – pence



## Ordinary share price – mid market

At 31 October – pence



# Financial Calendar

“I would like to extend a warm welcome to all shareholders to the newly formed abrdrn China Investment Company Limited. Many of you have been long-term shareholders in Aberdeen Emerging Markets Investment Company Limited and I also very much welcome those of you who previously held shares in Aberdeen New Thai Investment Trust PLC.”

Mark Hadsley-Chaplin, Chairman

## Financial Calendar

Online Shareholder Presentation	30 March 2022
Annual General Meeting ("AGM") (London)	12 April 2022
Half year end	30 April 2022
Announcement of Half-Yearly Financial Report for the six months ending 30 April 2022	June 2022
Financial year end	31 October 2022
Announcement of Annual Report and Accounts for the year ending 31 October 2022	January / February 2023

# Chairman's Statement

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## Introduction

First, I would like to extend a warm welcome to all shareholders to our newly formed abrdn China Investment Company Limited ("ACIC" or the "Company"). Many of you have been long-term shareholders in Aberdeen Emerging Markets Investment Company Limited ("AEMC") and I also very much welcome those of you who previously held shares in Aberdeen New Thai Investment Trust PLC ("ANW" or "New Thai").

The last six months have been momentous for the Company. In the Half-Yearly Report I set out the challenges we were facing with AEMC - a lack of liquidity with a small free float, a persistently wide discount and a reluctance from many investors to engage with a fund of funds structure. Even after a period of sustained absolute and relative outperformance these headwinds persisted. We therefore decided that a significant change in the mandate was in shareholders' interests. Our objective was to remain within the emerging market universe but to invest directly in equities. We considered a number of options but kept returning to the fact that after the New York Stock Exchange and NASDAQ, the Shanghai Stock Exchange is now the largest in the world. China represented AEMC's largest country exposure, and the Chinese stock market offers a wide range of companies with compelling long-term growth prospects. China is also under represented in the Investment Trust world. Before putting the proposal for a new China mandate to shareholders, we wanted to secure a first class investment management team with the experience and track record in China equity investment as we seek to deliver strong long-term performance for the future. We also sought an investment manager with experience in the Investment Trust sector that was not already managing a UK China Investment Trust. Our comprehensive selection process steered us back to abrdn which fulfils these criteria. Furthermore, we deemed the opportunity to merge with New Thai advantageous to shareholders. This merger helped to shore up assets even after allowing for the 15% tender offer and gave us the opportunity to bring on two excellent directors, Anne Gilding and Sarah MacAulay, to strengthen the board of the newly formed ACIC with the revised investment objective "to produce long-term capital growth by investing predominantly in Chinese equities".

The change in investment policy was approved by shareholders at an Extraordinary General Meeting ("EGM") held on 26 October 2021, and the Scheme of Arrangement with the shareholders of New Thai was completed on 9 November 2021.

The described events took place towards the end of our financial year, so this Annual Report necessarily covers the activity of the Company during the financial year and therefore overwhelmingly refers to the emerging markets mandate under AEMC. Recognising the unusual position of the Company was in at the year end, where it was transitioning from being invested in emerging markets, Bernard Moody and Andrew Lister have produced the Investment Manager's Report covering the activity in the year and we have asked Nicholas Yeo and Elizabeth Kwik, our new portfolio managers, to provide an introduction to the Chinese portfolio and the investment process they will be using. We have also provided two portfolio listings. The first, which is required under accounting standards, reflects the position as at 31 October 2021. The more interesting one is the positioning as at 31 December 2021 as this shows how the new team have positioned the portfolio and therefore gives current and prospective investors a much better pointer to the future direction of the Company. I should stress that we have only requested this additional disclosure for this year because of the extremely unusual position the Company was in at the year end and should not be seen as a precedent. I very much look forward to reporting on the progress of ACIC which will be the focus of the upcoming 2022 Half-Yearly Report to be published in June.

## Management Fee

At the same time, the management fee arrangements were renegotiated. From 9 November 2021, the management fee is based on the Company's market capitalisation, rather than net assets. This better aligns the interests of shareholders and the Manager as the latter is incentivised to narrow the discount. The new fee is tiered, with the first £150 million of market capitalisation being charged at 0.80%, the next £150 million at 0.75% and the balance over £300 million being charged at 0.65%. In addition, as part of the arrangement, the Manager has agreed to waive this management fee for the first six months as a contribution to the costs of the reorganisation of the Company.

## Performance

I am pleased to report that over the year to 31 October 2021 the Company's net asset value ("NAV") total return per Ordinary share was 19.8%. This compares favourably with a blended Reference Index total return of 10.7% in sterling terms against which the Company was measured during the year. The Reference Index of the Company was changed to the MSCI China All Shares Index with effect from 1 November 2021.

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The Ordinary share price total return for the year was 18.7%, as the discount to NAV at which the Company's shares trade widened slightly, to 14.5% as compared to 13.4% at the start of the financial year. I am pleased to note that at the time of writing, the discount to NAV has narrowed to around 11%. The Board believes that an element of this narrowing can be attributed to the market recognising the opportunities that the Company's new mandate offers.

### Dividends

Prior to the merger with New Thai, the Company's policy was to make quarterly distributions by way of dividends funded from a combination of income and capital. Accordingly, three interim dividends, each of 5.75p per Ordinary share were paid on 26 March, 25 June and 24 September 2021.

Given the new investment objective, which is to deliver capital growth, the Board has revised its dividend policy to bring it in line with this objective. The Board has also revised the dividend policy to bring distributions in line with the income delivered by the portfolio with the objective of distributing a sufficient proportion of the net income to ensure that the Company retains its investment trust status. In this context, this requires that the Company retains no more than 15% of the income generated by the portfolio in the year. The Board therefore expects that the dividend will be materially lower than has been the case in the past and will vary year on year. As the distributions are expected to be significantly lower, the Board has also determined that the Company will in future look to make a single dividend payment each year which will be paid once the annual results are known.

### Loan Facility and Gearing

The Company has a £25 million multi-currency revolving loan facility which is due to mature on 25 March 2022. The Board believes that the use of gearing, which is one of the advantages of a closed ended structure, within pre-determined ranges and at times when the Investment Manager sees attractive investment opportunities, is beneficial to the longer term performance of the Company.

At the year end the facility was undrawn as the portfolio was being restructured. Since the end of the year the loan has remained undrawn.

The Company has commenced discussions with its bankers and other potential lenders and the Board expects to renew or replace the facility when it matures in March.

### Changes to Share Capital and Discount Management Policy

The Company did not buy back or issue any shares during the year.

However, immediately following the year end and as part of the scheme of arrangement with New Thai, the Company made a tender offer to all shareholders that it would buy back up to 15% of the Ordinary shares in issue at a 2% discount to NAV. As a result of the offer, 6,894,773 Ordinary shares were tendered and bought back into treasury at a price of 801.92p per Ordinary share.

Simultaneously, 7,554,440 new Ordinary shares were issued to the shareholders of New Thai who elected to roll their shareholding into the Company. Following the completion of the Scheme of Arrangement, the number of Ordinary shares in issue was 46,624,826.

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

### Shares in Public Hands

The Board has previously announced that the number of Ordinary shares which are deemed by the Listing Rules to be held in public hands is below the minimum 25% threshold. The Listing Rules provide that shares are not considered to be held in public hands (free float) if they are held by persons (or persons in the same group or persons acting in concert) who have an interest in 5% or more of a listed company's share capital, as well as shares held by directors of a listed company. On this basis, at 31 October 2021, we calculated that 16% of the issued share capital was in public hands.

## Chairman's Statement Continued

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On 3 December 2021 the FCA announced that it was reducing the proportion of shares required to be in public hands from 25% to 10%. As a consequence, the Company no longer breaches the regulation. The Board estimates that, following the merger, the concentration of the largest holders has been reduced and that around 24% of the Company's shares are currently in public hands.

The Board will continue to monitor the Company's free float, but believes that the combination of the improved liquidity of the Company's shares and the lower threshold applied by the FCA means that the issue is no longer of key concern at this time.

### Continuation Vote and Future Performance Linked Tender Offers

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

In addition, the Board intends that, if the Company's NAV total return over five years ending December 2026 does not exceed the total return of the MSCI China All Shares Index (in sterling terms), the Company will undertake a tender offer for up to 25% of the Company's issued share capital (excluding any Shares held in treasury). Any such tender offer will be at a price equal to the then prevailing formula asset value ("FAV") per Share less 2%.

### Investment Trust status

Following the merger with New Thai, the Company applied to HMRC for approval as an investment trust under Chapter 4 of Part 24 CTA 2010 and Chapter 1 of Part 2 of The Investment Trust Tax Regulations. As a result, the Company will be considered to be an investment trust from the start of the current financial year and will become resident in the United Kingdom for tax purposes. In respect of each accounting period for which the Company is approved by HMRC as an investment trust, the Company will be exempt from UK taxation on its

chargeable gains. The Company will, however, be liable to pay UK corporation tax on its net income in the normal way. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available. The Company should in practice be exempt from UK corporation tax on dividend income received, provided that such dividends fall within one of the "exempt classes" in Part 9A of the Corporation Tax Act 2009.

### Annual General Meeting ("AGM") and Online Shareholder Presentation

#### AGM

The AGM will be held at 12 noon on 12 April 2022 at the offices of abrdn plc, Bow Bells House, 1 Bread Street, London EC4M 9HH. The meeting will include a presentation from the Investment Manager and will be followed by lunch.

We encourage all shareholders to complete and return the proxy form enclosed with the Annual Report so as to ensure that your votes are represented at the meeting. If you hold your shares in the Company via a share plan or a platform and would like to attend and/or vote at the AGM, then you will need to make arrangements with the administrator of your share plan or platform. For this purpose, investors who hold their shares in the Company via the abrdn Investment Plan for Children, Share Plan or ISA will find a Letter of Direction enclosed. Shareholders are encouraged to complete and return the Letter of Direction in accordance with the instructions.

Given the evolving nature of the Covid-19 pandemic, should circumstances change significantly, rendering an in-person AGM inadvisable or not permissible, we will notify shareholders of any changes to the arrangements by updating the Company's website, [abrdnchina.co.uk](http://abrdnchina.co.uk), and through an RNS announcement, where appropriate, with as much notice as possible.

The Notice of the Meeting is contained on pages 85 to 87.

#### Online Shareholder Presentation

In order to encourage as much interaction as possible with our shareholders, we will also be hosting an Online Shareholder Presentation, which will be held at 10.00am on 30 March 2022. At this event you will receive a presentation from the Investment Manager and have the opportunity to ask live questions of the Chairman and the Investment Manager. The online presentation is being held ahead of the AGM to allow shareholders to submit their proxy votes prior to the meeting.

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Full details on how to register for the online event can be found at: [bit.ly/abrdn-China-webinar](https://bit.ly/abrdn-China-webinar)

Details are also contained on the Company's website.

You will be able to submit questions in advance of the Online Shareholder Presentation and the AGM at the following email address: [abrdn.china@abrdn.com](mailto:abrdn.china@abrdn.com).

Should you be unable to attend the online event, the Investment Manager's presentation will be made available on the Company's website shortly after the presentation.

In the meantime, the Board strongly encourages all shareholders to exercise their votes in respect of the AGM in advance of the meeting, and to appoint the Chairman of the meeting as their proxy, by completing the enclosed form of proxy, or letter of direction for those who hold shares through the abrdn savings plans. This should ensure that your votes are registered.

### Management Team

abrdn recommended appointing Nicholas Yeo and Elizabeth Kwik to lead the Chinese equities team when the decision was made to change the investment mandate. They will manage the Company's portfolio from Hong Kong and Shanghai, where the 13 strong Chinese equities team is based. As part of the search process, the Board met the team and were impressed by them and their track record.

At the same time, Bernard Moody and Andrew Lister will cease to be involved in the day-to-day running of the portfolio. On behalf of the Board, I would like to thank Bernard, Andrew and the whole of the Closed End Fund Strategies team who have done an excellent job of managing the portfolio and it should be stressed that the change of mandate and management team is not in any way a reflection of the service that they provided. We wish them well.

### Board Composition

I am delighted to welcome Anne Gilding and Sarah MacAulay to the Board. They joined following the Scheme of Arrangement, both having been directors of New Thai.

William Collins has announced his intention to retire from the Board at the Company's AGM, he has made an invaluable contribution over his ten year tenure and I shall make further tribute to him in the Half-Yearly Report after his departure. In the meantime, his role as Senior Independent Director has now been passed to Helen Green.

As previously advised, it is my intention to retire from the Board once my succession is agreed and at least one new Director has been appointed. I envisage that this shall be achieved well before the 2023 AGM, we shall of course keep shareholders fully informed.

### Outlook

The Chinese Equities team has now been running the portfolio for almost four months and I am delighted to report that the portfolio has got off to a good start, outperforming the investment trust sector average in that time, albeit in testing times, particularly since the start of 2022. This is early evidence of the capabilities of the team, who are all based in Hong Kong and Shanghai and are able to bring their experience of investing in an "All China" mandate, incorporating as it does companies listed on exchanges in Hong Kong, Shanghai and Shenzhen. The Investment Manager is in the process of applying for a Qualified Foreign Investor ("QFI") licence which will allow the Company to exploit this expertise more fully and the Investment Manager expects the number of holdings to stabilise at around 50 positions.

We hope that the timing of the change of the mandate may yet prove to be fortuitous – Chinese equity markets fell over 20% in sterling terms in 2021, while the FTSE All-Share Index was up 14%. Consensus is that China will become the largest economy in the world by the end of the decade and, while we would be naive to expect that there will not be bumps in the road, we believe that the prospects for a portfolio focused on this growth market are good. We believe that the regulatory changes that we saw the Chinese Government impose last year have now been priced in to the market and we do not expect to see much further intervention by the Government on such a scale. When this is coupled with the early signs of easing of Covid restrictions in some Western markets and a more benign economic backdrop in China, the Board is optimistic that the long-term prospects of the Company are compelling.

### Mark Hadsley-Chaplin

Chairman

24 February 2022

# Strategic Report

We see the brightest future for firms able to adapt to changing regulatory frameworks and align with policy objectives in areas such as digital innovation, green technology, access to affordable healthcare and improved livelihoods. We are focused on five themes that we believe will drive returns in 2022.

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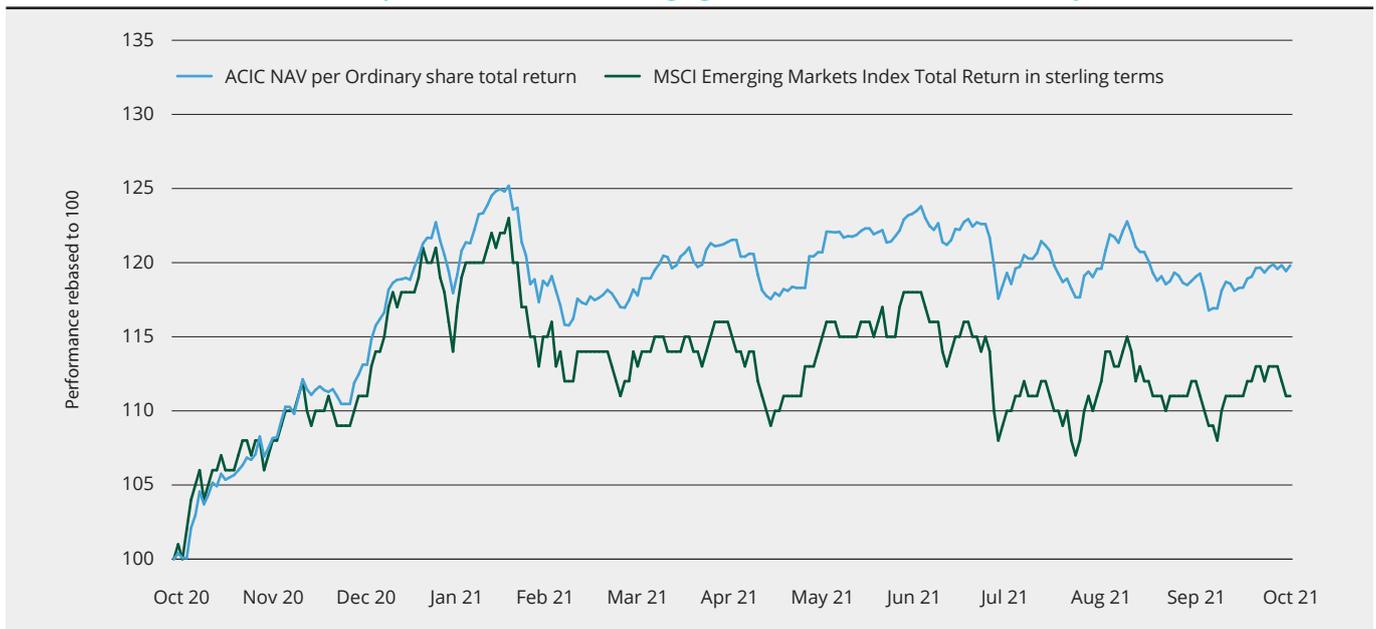
# Investment Manager’s Report

## Market Environment

Emerging markets began the period strongly as the prospect of vaccine roll-outs led investors to focus on the potential for a rebound in global economic activity. This, in turn, resulted in significant style rotation, with those markets, sectors and stocks which had suffered the greatest economic impact in the early stages of the pandemic rallying strongly. The “risk-on” environment saw the US dollar weaken and a rally in the prices of energy and most industrial commodities as well as emerging market currencies. By late February, the MSCI Emerging Markets Index was up by almost 23%, but it gave up some of those gains as increasing concerns about the outlook for

inflation pushed US bond yields higher, negatively impacting sentiment towards emerging market assets. As the year progressed, the MSCI Emerging Markets Index was largely range-bound and performance was hampered by increased regulatory scrutiny of companies with internet enabled business models in China. Sentiment towards China deteriorated further late in the period as investors focused on default risks in the real estate sector and the potential for the situation to spiral into a broader financial crisis. For the financial year in its entirety, the MSCI Emerging Markets Index rose by 10.7%.

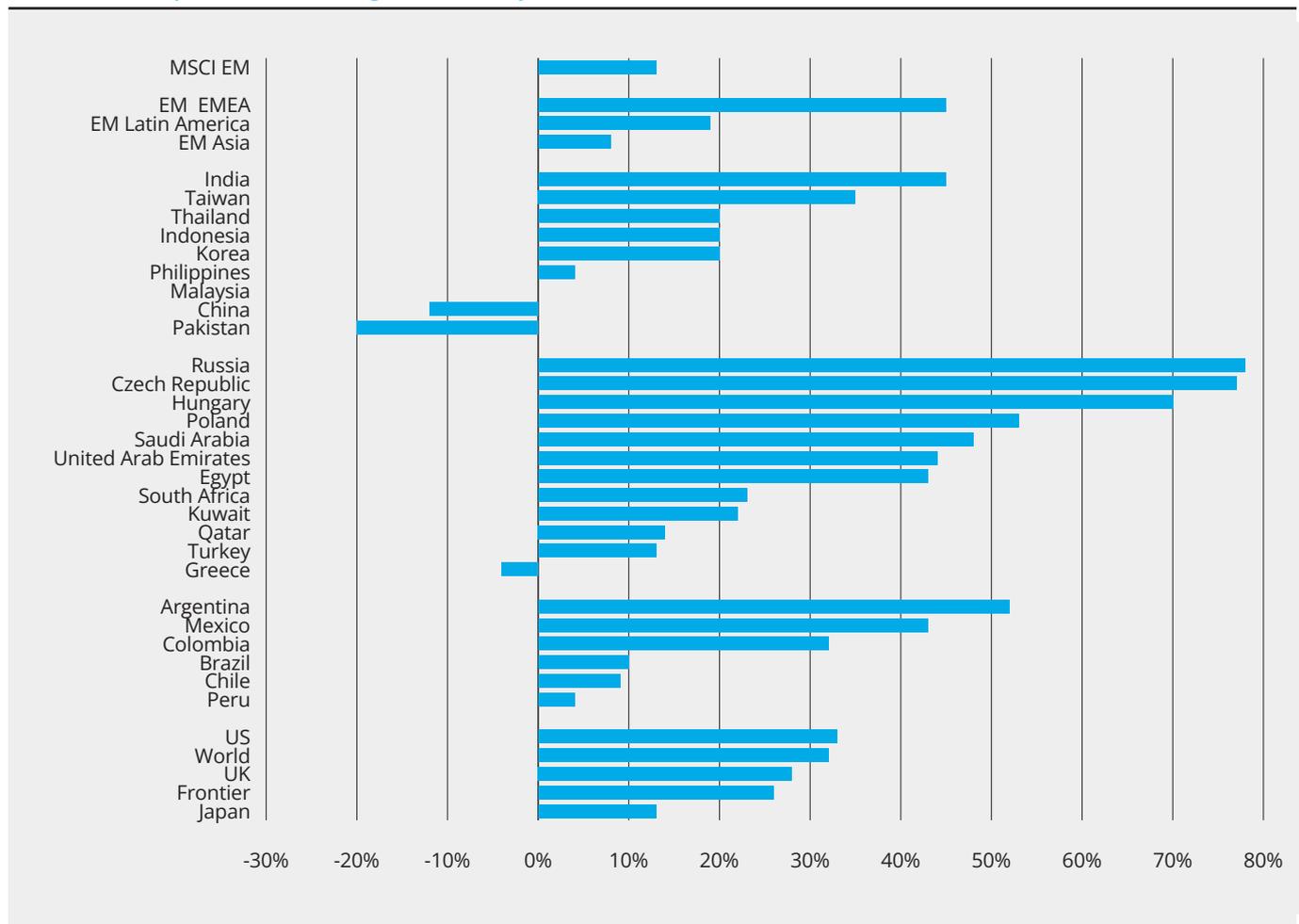
**Chart 1. ACIC NAV total return compared with the MSCI Emerging Markets Index over the financial year**



Source: Aberdeen Asset Managers Limited, Bloomberg. GBP net total returns for the period from 31 October 2020 to 31 October 2021.

# Investment Manager's Report Continued

Chart 2. Market performance during the financial year



Source: Bloomberg. GBP net total returns for the period from 31 October 2020 to 31 October 2021.

## Fund Performance

During the financial year the Company's net asset value ("NAV") total return was 19.8% which compares favourably with the return of 10.7% from the Reference Index. Performance attribution analysis shows that fund selection was the largest contributor to the Company's NAV outperformance. In particular, the Company's investments in Aberdeen Standard SICAV I – China A Share Equity Fund, Neuberger Berman China Equity Fund and Weiss Korea Opportunity Fund performed well in comparison with their respective benchmarks. Another meaningful contributor to performance was Russian holding Baring Vostok Investments, which had an excellent period as several underlying portfolio holdings completed successful initial public offerings. The only significant detractor was Naspers which suffered from its exposure to Chinese internet giant Tencent. Asset allocation was also a positive contributor to relative performance. An overweight allocation to Russia and underweight positioning in China were significant positives, in part offset by a negative contribution from being underweight in Taiwan. Changes in the discounts to NAV at which underlying closed-end fund

holdings traded were a small detractor. The Ordinary share price total return was 18.7%, as the discount to NAV at which the Company's Ordinary shares trade widened to 14.5% from 13.4% at the start of the financial year.

## Portfolio Positioning

During the latter part of the period, we worked to improve portfolio liquidity whilst retaining market exposure, notably through reducing exposure to less liquid investments while adding to exchange traded funds. Following shareholder approval of the new investment policy on 26 October 2021 we began the process of exiting remaining legacy investments. Good progress was made over the final days of the month and 69.8% of the Company's net assets were in cash or pending settlement by period end. The Hong Kong team began the process of deploying the cash and building the Chinese portfolio in early November 2021.

## Aberdeen Asset Managers Limited

24 February 2022

# Investment Manager's Report (New Investment Objective)

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## The China Opportunity and Why Now?

The enduring strength of China's vast consumer market allied to pro-growth domestic policies underscore our optimism about the prospects for A-shares in 2022 and beyond.

In contrast to developed markets such as the US and UK, where authorities are tightening policy to tame inflation, China has moved to ease financial conditions and access to funding. Although the Covid-19 pandemic has curtailed Chinese consumption for the past two years, the market's size means even sluggish retail sales growth generates a big increase in absolute terms. We predict China's consumer market will surpass the US in dollar terms by 2040.

Looking ahead, we suspect China's zero-Covid approach will allow life to go on largely as normal, but there will also be bouts of volatility as the authorities react to spikes in incidences of the virus. Still, we expect any pain to be short term. It won't change the government's commitment to bringing domestic consumption back to China. Investors will benefit by maintaining exposure to this structural trend.

We see the brightest future for firms able to adapt to changing regulatory frameworks and align with policy objectives in areas such as digital innovation, green technology, access to affordable healthcare and improved livelihoods. We are focused on five themes that we believe will drive returns in 2022.

**Aspiration:** We expect consumer names to fare well as China strives for a self-sufficient economic model. We buy into the "premiumisation" story – that urbanisation and rising middle-class wealth will drive demand for premium goods and services in the long run. **China Tourism Group Duty Free**, the largest duty free retailer in China, is our core holding in this space to capitalise on middle-class growth.

**Digital:** This theme aligns with the government's objectives of localisation, improving productivity, lowering costs, increasing innovation and helping to propel economic growth. Our holdings in this segment are primarily software-related names which have advantages given their knowledge of the domestic market and preference for localisation in areas such as cyber security and cloud services. One of our holdings in this area is **Venustech**, a leading cyber security provider in China.

**Green:** This theme aligns with government policy on decarbonisation and net-zero emissions by 2060. Our holdings include solar wafer producers, component makers, battery and related component makers, automation-related firms and a company focused on upgrading electricity grids for a renewable future. We hold **Contemporary Amperex Technology**, the world's largest electric vehicle battery maker.

**Health:** The portfolio is overweight healthcare services, including firms providing innovative research and clinical trial services that bring high-quality therapies to market cheaply and quickly. Our holdings align with policy objectives to make healthcare cheaper and more accessible which is important given that China has a rapidly ageing society. **Hangzhou Tigermed Consulting**, a leading contract research organization company primarily serving Chinese pharmaceutical firms, is one of key holdings in healthcare.

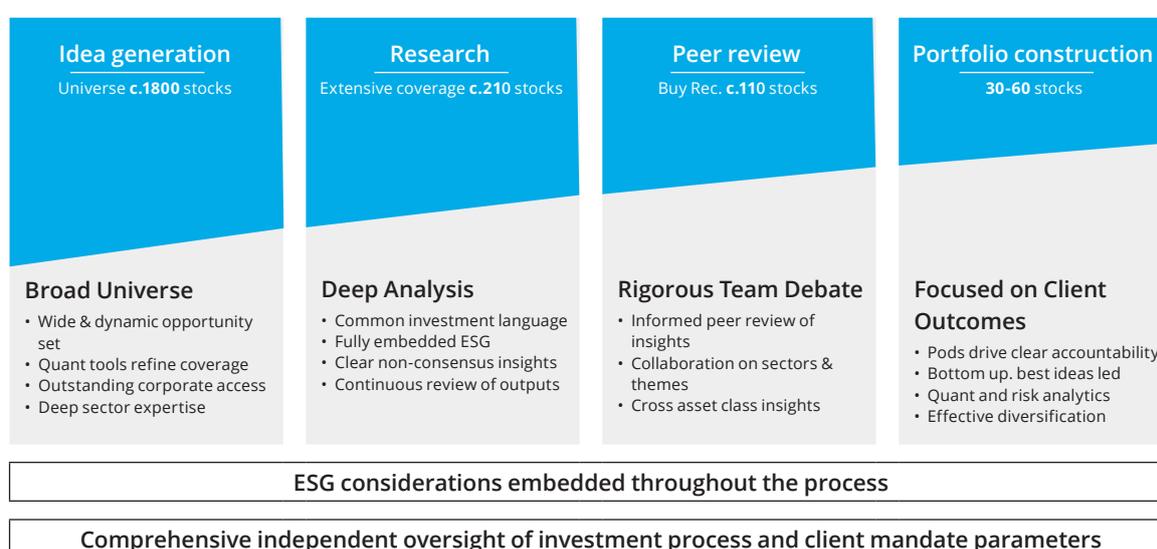
**Wealth:** This theme aligns with China's policy objectives of becoming a moderately prosperous society by 2035. The financial services sector plays a key role in creating and protecting wealth. We hold **China Merchants Bank**, which is arguably China's highest quality consumer banking franchise and **Hundsun Technologies**, the leading financial software service provider supporting the development of capital markets such as trading and portfolio management.

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## Investment Process

We believe that deep fundamental research into companies, mediated through team debate and a rigorous stock selection process, is the key to unlocking investment insight and driving

investment returns in portfolios. We utilise a bottom-up, fundamental stock picking approach, which guides selection decisions in sector, regional and country allocations, constrained by appropriate risk controls of course.



Source: abrdn, 31 December 2021

We aim to run a portfolio of 30-60 holdings, focusing on companies that our research analysts identify as having the most attractive quality and valuation characteristics, offering the best expected risk-adjusted returns, within a diversified portfolio. Our quality assessment focuses on five key factors; namely the durability of the business model and competitive advantage, the attractiveness of the industry, the strength of financials, the capability of management, and our assessment of the company's Environmental, Social and Governance ("ESG") credentials.

We seek to build high-conviction portfolios where stock-specific insights drive performance, giving investors direct access to our best investment ideas. Conviction is built through idea sharing, peer review and effective debate.

The analysis of ESG risks and opportunities is fully integrated into the entire investment process with the aim to make better-informed investment decisions and benefit from active

ownership of these assets. It is one of the key dimensions on which we assess the investment case for any company in which we invest.

Our primary risk control is at the stock level with our rigorous company research process helping us to avoid stock-specific errors. However, we do also pay close attention to portfolio level risks and we have access to a number of on desk quantitative risk tools. This ensures that we are well informed of, and comfortable with, the risk positions that result from our bottom-up stock picking.

This strategy is managed with a greater emphasis on a traditional buy-and-hold approach, resulting in low turnover which we would expect to be in the range of 10-20% in normal market conditions. Typically, the strategy will have higher return on equity/assets and lower debt to equity than the MSCI China All Shares Index.

# Investment Manager's Report (New Investment Objective) continued

## Portfolio Listing as at 31 December 2021

Due to the scheme of reconstruction and resultant material change of the portfolio, we present an unaudited breakdown of the investment portfolio of investments held by the Company as at 31 December 2021 as follows.

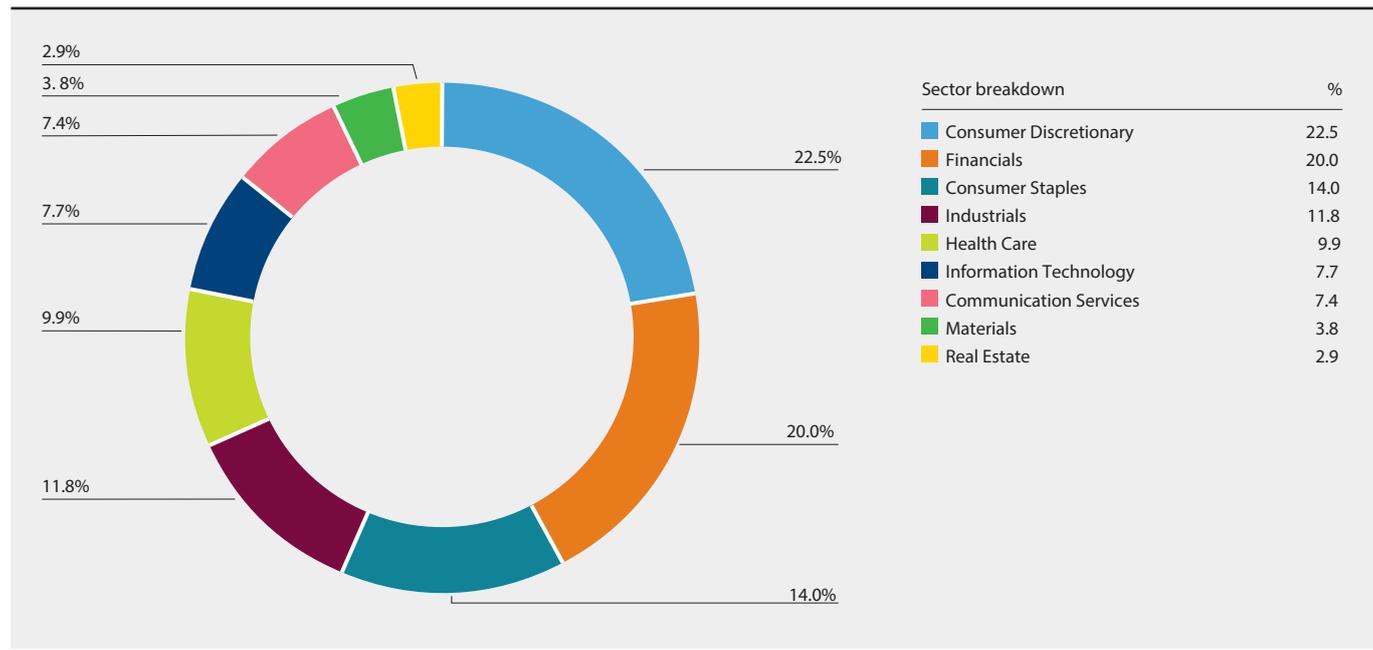
Security investment name	Industry (Sub-Sector)	Value** (£'000)	Percentage of portfolio (%)
Tencent Holdings Ltd	Interactive Media & Services	25,485	7.4%
Aberdeen Standard SICAV I – China A Share Equity Fund *	Unit Trusts	21,606	6.3%
Kweichow Moutai Co Ltd	Beverages	17,853	5.2%
China Merchants Bank Co Ltd	Banks	17,767	5.1%
Meituan	Internet & Direct Marketing Retail	14,639	4.2%
China Tourism Group Duty Free Corp Ltd	Specialty Retail	14,215	4.1%
Alibaba Group Holding Ltd	Internet & Direct Marketing Retail	11,935	3.5%
Contemporary Amperex Technology Co Ltd	Electrical Equipment	11,914	3.5%
JD.com Inc	Internet & Direct Marketing Retail	10,870	3.2%
Bank of Ningbo Co Ltd	Banks	9,498	2.8%
Wanhua Chemical Group Co Ltd	Chemicals	7,835	2.3%
Sungrow Power Supply Co Ltd	Electrical Equipment	7,758	2.3%
Fuyao Glass Industry Group Co Ltd	Auto Components	7,349	2.1%
Li Ning Co Ltd	Textiles, Apparel & Luxury Goods	7,267	2.1%
Wuliangye Yibin Co Ltd	Beverages	7,034	2.0%
Shenzhou International Group Holdings Ltd	Textiles, Apparel & Luxury Goods	6,973	2.0%
AIA Group Ltd	Insurance	6,800	2.0%
LONGi Green Energy Technology Co Ltd	Semiconductors & Semiconductor Equipment	6,304	1.8%
Ping An Bank Co Ltd	Banks	6,089	1.8%
Shenzhen Mindray Bio-Medical Electronics Co Ltd	Health Care Equipment & Supplies	6,059	1.8%
Nari Technology Co Ltd	Electrical Equipment	6,017	1.7%
China Vanke Co Ltd	Real Estate Management & Development	5,952	1.7%
Huntsun Technologies Inc	Software	5,916	1.7%
Hong Kong Exchanges & Clearing Ltd	Capital Markets	5,827	1.7%
Foshan Haitian Flavouring & Food Co Ltd	Food Products	5,728	1.7%
Wuxi Biologics Cayman Inc	Life Sciences Tools & Services	5,658	1.6%
Sinoma Science & Technology Co Ltd	Chemicals	5,251	1.5%
By-health Co Ltd	Personal Products	5,078	1.5%
Hangzhou Tigermed Consulting Co Ltd	Life Sciences Tools & Services	4,971	1.4%
Aier Eye Hospital Group Co Ltd	Health Care Providers & Services	4,946	1.4%
Chacha Food Co Ltd	Food Products	4,834	1.4%
Luxshare Precision Industry Co Ltd	Electronic Eqpt Instruments & Components	4,803	1.4%
China Meidong Auto Holdings Ltd	Specialty Retail	4,531	1.3%
CIFI Ever Sunshine Services Group Ltd	Real Estate Management & Development	4,212	1.2%
Proya Cosmetics Co Ltd	Personal Products	4,206	1.2%
Hefei Meiya Optoelectronic Technology Inc	Machinery	3,959	1.2%

Security investment name	Industry (Sub-Sector)	Value** (£'000)	Percentage of portfolio (%)
Shanghai M&G Stationery Inc	Commercial Services & Supplies	3,914	1.1%
Yantai China Pet Foods Co Ltd	Food Products	3,759	1.1%
Jiangsu Hengrui Medicine Co Ltd	Pharmaceuticals	3,634	1.1%
GDS Holdings Ltd	It Services	3,557	1.0%
Qingdao TGOOD Electric Co Ltd	Electrical Equipment	3,554	1.0%
China Conch Venture Holdings Ltd	Construction & Engineering	3,519	1.0%
Zai Lab Ltd	Biotechnology	3,476	1.0%
Amoy Diagnostics Co Ltd	Biotechnology	3,456	1.0%
Maxscend Microelectronics Co Ltd	Electronic Eqpt Instruments & Components	3,151	0.9%
Venustech Group Inc	Software	2,817	0.8%
Shanghai MicroPort MedBot Group Co Ltd	Health Care Equipment & Supplies	1,824	0.5%
Komodo Fund *	Unit Trusts	1,154	0.3%
Weiss Korea Opportunity Fund Limited *	Unit Trusts	396	0.1%
<b>Total investments</b>		<b>345,350</b>	<b>100.0%</b>

\* Security also held at 31 October 2021  
 \*\* Unaudited

### Sector Breakdown as at 31 December 2021

Further to the portfolio listing above, the sector breakdown of the portfolio as at 31 December 2021 was as follows.



Source: Datastream

# The Investment Manager's Approach to ESG

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Whilst the management of the Company's investments is not undertaken with any specific instructions to exclude certain asset types or classes, the Investment Manager embeds Environmental, Social and Governance ("ESG") factors into the research of each asset class as part of the investment process. ESG investment is about active engagement, in the belief that the performance of assets owned by the Company can be improved over the longer term.

## What is ESG, and why do we do it?

ESG considerations have been an integral part of the Investment Manager's decision-making process for almost 30 years. The Investment Manager believes that ESG factors are financially material and can meaningfully affect a company's performance. Hence, a company's ability to generate returns sustainably for investors depends on the management of its environmental impact, its consideration of the interests of society and all stakeholders, and on the way it is governed. By putting ESG factors at the heart of its investment process, the Investment Manager aims to generate better outcomes for the Company's shareholders. The three factors can be considered as follows:

- Environmental factors relate to how a company conducts itself with regard to environmental conservation and sustainability. Types of environmental risks and opportunities include a company's energy consumption, waste disposal, land development and carbon footprint, among others.
- Social factors pertain to a company's relationship with its employees and suppliers. Risks and opportunities can include (but are not limited to) a company's initiatives on employee health and well-being, and how supplier relationships align with corporate values.
- Corporate governance factors can include the corporate decision-making structure, independence of board members, the treatment of minority shareholders, executive compensation and political contributions, among others.

At the investment stage, ESG factors and analysis help to frame where best to invest by considering material risks and opportunities alongside other financial metrics. Due diligence can ascertain whether such risks are being adequately managed, and whether the market has understood and priced them accordingly.

The Investment Manager is an active owner, voting at shareholder meetings in a deliberate manner, working with companies to drive positive change, and engaging with policymakers on ESG and stewardship matters.

## Can we measure it?

There are elements of ESG that can be quantified, for example the diversity of a board, the net carbon impact of a company, and the level of employee turnover. While diversity can be monitored, measuring inclusion is more of a challenge. Although it is possible to measure the level of staff turnover, it is more challenging to quantify corporate culture. Relying on calculable metrics alone would lead potentially to misleading insights. As active managers, quantitative and qualitative assessments are blended to better understand the ESG performance of a company.

The Investment Manager's analysts consider such factors in a systematic and globally-applied approach to assess and compare companies consistently on their ESG credentials, both regionally and against their peer group. Some of the key questions asked of companies include:

- How material are ESG issues for this company, and how are they being addressed?
- What is the quality of this company's governance, ownership structure and management?
- Are incentives and key performance indicators aligned with the company's strategy and the interests of shareholders?

The questions asked differ from company to company; the type of questions posed to a bank would be quite different from those of a semi-conductor manufacturing firm.

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### The ESG Scoring System

Having considered the regional universe and peer group in which a company operates, the Investment Manager allocates it an ESG score between one and five. This is applied across every stock covered globally. Examples of each category and a small sample of the criteria used are detailed below:

1. Best in class	2. Leader	3. Average	4. Below average	5. Laggard
<p>ESG considerations are material part of the company's core business strategy</p> <p>Excellent disclosure</p> <p>Makes opportunities from strong ESG risk management</p>	<p>ESG considerations not market leading</p> <p>Disclosure is good, but not best in class</p> <p>Governance is generally very good</p>	<p>ESG risks are considered as a part of principal business</p> <p>Disclosure in line with regulatory requirements</p> <p>Governance is generally good but some minor concerns</p>	<p>Evidence of some financially material controversies</p> <p>Poor governance or limited oversight of key ESG issues</p> <p>Some issues in treating minority shareholders poorly</p>	<p>Many financially material controversies</p> <p>Severe governance concerns</p> <p>Poor treatment of minority shareholders</p>

### Climate Change

Climate change is one of the most significant challenges of the 21st century and has big implications for investors. The energy transition is underway in many parts of the world, and policy changes, falling costs of renewable energy, and a change in public perception are happening at a rapid pace. Assessing the risks and opportunities of climate change is a core part of the investment process. In particular, the Investment Manager considers:

- **Transition risks and opportunities**

Governments could take robust climate change mitigation actions to reduce emissions and transition to a low-carbon economy. This is reflected in targets, policies and regulation and can have a considerable impact on high-emitting companies.

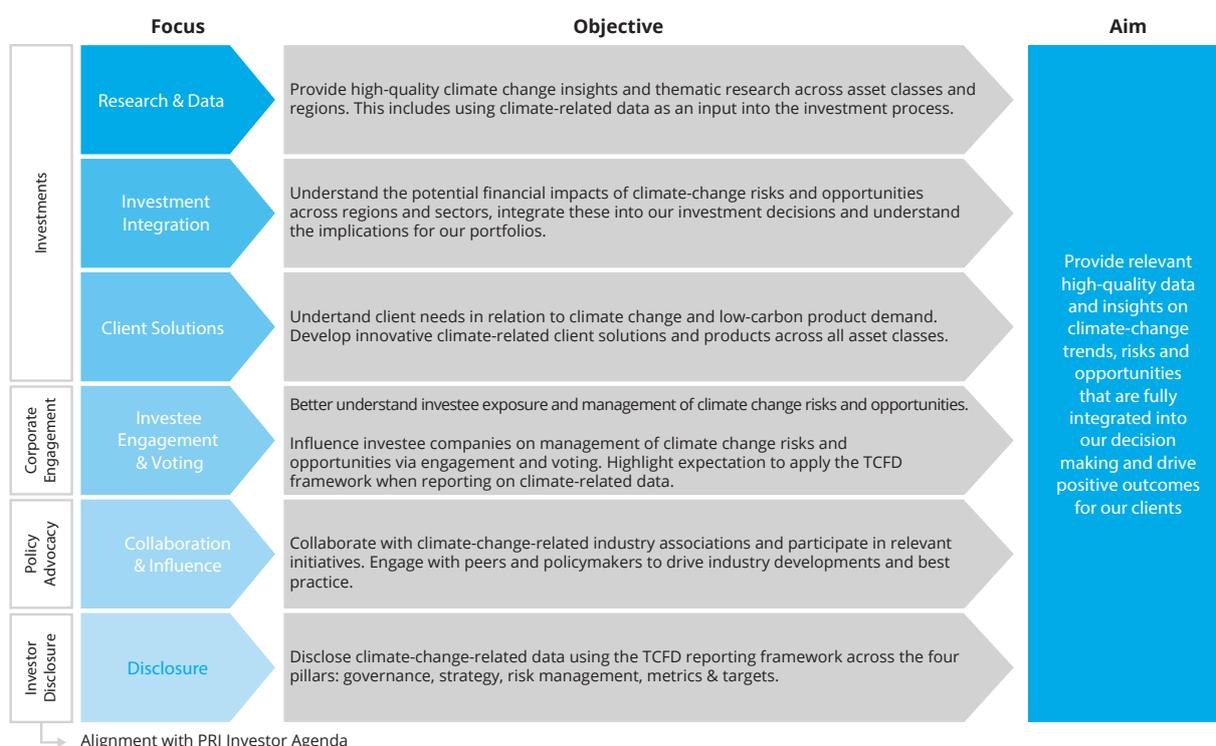
- **Physical risks and opportunities**

Insufficient climate change mitigation action will lead to more severe and frequent physical damage. This results in financial implications, including damage to crops and infrastructure, and the need for physical adaptation such as flood defences.

The Investment Manager has aligned its approach with that advocated by the investor agenda of the Principles for Responsible Investment ("PRI") – a United Nations-supported initiative to promote responsible investment as a way of enhancing returns and better managing risk.

# The Investment Manager’s Approach to ESG Continued

The PRI provides an intellectual framework to steer the massive transition of financial capital towards a more sustainable global economy. It also encourages fund managers to demonstrate climate action across four areas: investments; corporate engagement; investor disclosure; and policy advocacy as explained below:



## Importance of Engagement

The Investment Manager is committed to regular, ongoing engagement with the companies in which it invests, to help to maintain and enhance their ESG standards into the future.

As part of the investment process, the Investment Manager undertakes a significant number of company meetings each year on behalf of the Company. The Company is supported by on-desk ESG analysts, as well as a well-resourced specialist ESG Investment team. These meetings provide an opportunity to discuss various relevant ESG issues including board composition, remuneration, audit, climate change, labour issues, human rights, bribery and corruption. Companies are strongly encouraged to set clear targets or key performance indicators on all material ESG risks.

ESG engagements are conducted with consideration of the ten principles of the United Nations Global Compact, and companies are expected to meet fundamental responsibilities in the areas of human rights, labour, the environment and anti-corruption.

This engagement is not limited to a company’s management team. It can include many other stakeholders such as non-government agencies, industry and regulatory bodies, as well as activists and the company’s customers and clients.

# Information about the Manager, Investment Manager and Investment Management Team

## Manager (Aberdeen Standard Fund Managers Limited)

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

The abrDN Group's assets under management and administration were £532 billion as at 30 June 2021, managed for a range of clients including 22 UK-listed closed end investment companies.

## The Investment Management Team

### Nicholas Yeo



#### Director and Head of Equities, China

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

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

## Investment Manager (abrDN Hong Kong Limited)

Following approval of the change to the Company's investment policy at the EGM on 26 October 2021, the Company's portfolio is managed by abrDN Hong Kong Limited ("aHKL") by way of a group delegation agreement in place between ASFML and aHKL. aHKL is authorised and regulated by the Securities and Futures Commission of Hong Kong.

### Elizabeth Kwik



#### Investment Manager

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

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

# Portfolio

The Company's NAV total return for the year was 19.8%, which compares favourably to a total return of 10.7% from the Reference Index for the year.

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# Investments

## Portfolio listing as at 31 October 2021

Security investment name	Country of establishment	Value (£'000)	Percentage of net assets (%)
Aberdeen Standard SICAV I – China A Share Equity Fund	Luxembourg	21,874	5.8
Korea Value Strategy Fund Ltd	British Virgin Islands	16,282	4.4
Weiss Korea Opportunity Fund Limited	Guernsey	15,543	4.2
Diversified Growth Company QIC GCC Equity Fund	Luxembourg	15,371	4.1
Aberdeen New India Investment Trust PLC	United Kingdom	10,826	2.9
Ton Poh Fund	Cayman Islands	9,903	2.6
Laurium Limpopo Africa Fund	Cayman Islands	8,227	2.2
Baring Vostok Investments PCC Limited	Guernsey	7,306	1.9
Aberdeen Asian Income Fund Limited	United Kingdom	6,215	1.7
Komodo Fund	Cayman Islands	1,358	0.4
<b>Total investments</b>		<b>112,905</b>	<b>30.2</b>
Cash plus other net current assets and liabilities		260,883	69.8
<b>Net assets</b>		<b>373,788</b>	<b>100.0</b>

# Governance

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

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

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# Directors' Report

The Directors of abrdn China Investment Company Limited ("the Company") present the report and financial statements for the year ended 31 October 2021.

## New Investment Objective and Investment Policy

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

### Investment Objective

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

### Investment Policy

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

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

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

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

weight in the MSCI China All Shares Index (in sterling terms) plus 5%, as measured at the time of investment. The maximum permitted exposure to a single group is 20% of the Company's total assets, as measured at the time of investment.

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

### Risk Management

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

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

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

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

### Gearing

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

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of cash

## Directors' Report Continued

equivalent instruments. There is no restriction on the amount of cash or cash-equivalent instruments that the Company may hold.

### Previous Investment Objective and Investment Policy

Prior to the approval of the new investment objective and investment policy on 26 October 2021 the investment objective and investment policy were as follows:

#### Objective

To achieve consistent returns for shareholders in excess of the MSCI Emerging Markets Net Total Return Index in sterling terms (Bloomberg ticker: NDUUEEGF Index) (the "Benchmark").

#### i) Asset Allocation

The Investment Manager invests in a portfolio of funds and products which give a diversified exposure to developing and emerging market economies. The Investment Manager does not seek to replicate the Benchmark's geographical distribution. The Company's geographical asset allocation is derived from the Investment Manager's analysis of prospects for regions and countries and the underlying opportunities for investment.

The Board does not believe that it should impose prescriptive limits on the Investment Manager for the geographical breakdown and distribution by type of fund as this could have a negative impact on the Company's performance and accordingly the Company does not have any prescribed investment limits in this regard.

The Investment Manager has discretion to enter into hedging mechanisms where it believes that this would protect the performance of the Company's investment portfolio in a cost-effective manner. To date, the Company has never entered into any such hedging mechanisms.

#### ii) Risk Diversification

Individual investments are selected for their potential to outperform as a result of one or more of the following: the performance of the region, market or asset class in which they invest; the skill of the underlying fund manager; and additionally, in the case of closed end funds, through the narrowing of discounts at which their shares trade to net asset value.

No holding by the Company in any other company will represent, at the time of the investment, more than 15% by value of the Company's net assets. The diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive.

#### iii) Gearing

The Directors reserve the right to borrow up to a maximum of 15% of the NAV of the Company at the time of drawdown.

### Business Activities

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

Following the merger with Aberdeen New Thai Investment Trust PLC, the Company applied to HMRC for approval as an investment trust under Chapter 4 of Part 24 CTA 2010 and Chapter 1 of Part 2 of The Investment Trust Tax Regulations. As a result, the Company will be considered to be an investment trust from the start of the current financial year and will become resident in the United Kingdom for tax purposes.

### Results and Dividends

The Company's total comprehensive income for the year was a profit of £64,156,000 (2020: profit of £26,090,000). The Company's revenue return for the year amounted to a loss of £282,000 (2020: profit of £734,000).

First, second and third interim dividends each of 5.75p per share were paid on 26 March, 25 June and 24 September 2021.

### Dividend Policy

Prior to the merger with Aberdeen New Thai Investment Trust PLC, the Company's policy was to make quarterly distributions by way of dividends funded from a combination of income and capital. Accordingly, three interim dividends, each of 5.75p per Ordinary share were paid on 26 March, 25 June and 24 September 2021.

Given the new investment objective, which is to deliver capital growth, the Board has revised its dividend policy to bring it in line with this objective. The Board has also revised the dividend policy to bring distributions in line with the income delivered by the portfolio with the objective of distributing a sufficient proportion to ensure that the Company retains its investment trust status. In this context, this requires that the Company retains no more than 15% of the income generated by the portfolio in the year. The Board therefore expects that the dividend will be materially lower than has been the case in the past and will vary year on year. As the distributions are expected to be significantly lower, the Board has also determined that the Company will in future move to an annual dividend payment which will be paid once the annual results are known.

## Investment Report and Outlook

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

### Key Performance Indicators ("KPIs")

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

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

### Performance

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

### Ongoing Charges

For the year ended 31 October 2021, the Company's ongoing charges figure, calculated using the Association of Investment Companies' ("AIC") methodology, was 0.98% (2020: 1.02%), the calculation of which can be found in the Alternative Performance Measures section of this Annual Report.

### Principal Risks, Emerging Risks and Uncertainties

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

#### (i) Risks relating to the Company

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

#### (ii) Risks relating to the investment policy

- There can be no guarantee that the Company will achieve its investment objective or that investors will get back the full value of their investment.

- The investments of the Company are subject to the risk of changes in market prices or macroeconomic factors. Any such changes could have an adverse effect on the value of the portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on returns to shareholders and the market value of its Ordinary shares.
- The Company's NAV is inherently sensitive to the performance of Chinese equity markets which could result in the Company's Ordinary shares trading at a discount or being less liquid.
- The portfolio will be concentrated in a single country and will therefore be exposed to risks associated with geographical concentration, including being exposed to the fluctuations of a more limited geographical market and fewer currencies than a less concentrated portfolio.
- The Company is exposed to particular economic, regulatory, political, geopolitical, environmental and taxation risks associated with investments in the People's Republic of China, which could have an adverse effect on the portfolio, the Company's financial condition, results of operations and prospects were they to materialise, with a consequential adverse effect on the market value of its Ordinary shares.
- The Company is exposed to currency and foreign exchange risk as a result of holding investments denominated in currencies other than sterling which could have an adverse effect on the portfolio and the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of its Ordinary shares.

#### (iii) Risks relating to the Manager/Investment Manager

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

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

- The Covid-19 pandemic may adversely affect the performance of investee companies due to ongoing

## Directors' Report Continued

macroeconomic and market uncertainty, which may in turn adversely impact the Company's financial performance and prospects and the value of its portfolio.

- Changes in the laws or regulations in Guernsey or the UK which govern the Company's and the Investment Manager's operations may have an adverse effect on the ability of the Company and the Manager / Investment Manager to carry on their respective businesses and any such changes could have an adverse effect on the portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares.

### Management or mitigation of the above risks

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

#### (v) Internal Risks

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

### Management or mitigation of internal risks

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

The management or mitigation of internal risks is described in detail in the Corporate Governance Statement on pages 38 and 39.

#### (vi) Emerging Risks

Emerging risks are slow moving trends, innovations and shifts with potential consequence to a specific industry or sector in the long term. They can include movements in: demographics, economics, society, technological innovations, national policy and governance. Long term shifts in temperatures and weather patterns caused by human activity, primarily due to the burning of fossil fuels, or by natural phenomena may have a negative effect on ecological and socioeconomic wellbeing.

### Management or mitigation of emerging risks

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

#### (vii) Failure to manage premium and/or discount

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

### Borrowings

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

On 26 March 2021, the Company renewed its unsecured 12-month revolving credit facility with The Royal Bank of Scotland International Limited (London Branch) ("RBSI"), under which loans with a maximum aggregate value of £25 million may be drawn, for a further 12 month period, with a termination date of 26 March 2022. As at 31 October 2021, no amount was drawn down (2020: £12.5 million was drawn down at an all-in monthly rate of 0.76925%).

### Gearing

At 31 October 2021, the Company had no borrowings drawn down, hence no gearing (2020: net gearing of 1.6%). The Directors monitor the Company's gearing on a regular basis in accordance with the Company's investment policy and under advice from the Investment Manager.

## Market Information

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

### Ordinary Shares in Issue

As at 31 October 2021, the Company had 45,965,159 (2020: 45,965,159) Ordinary shares in issue (excluding shares held in treasury). The Company also held 8,653,348 Ordinary shares in treasury (2020: 8,653,348).

### Purchase of Own Shares

The Company did not purchase any of its Ordinary shares during the year (2020: nil).

Since year end the Company purchased 23,048 Ordinary shares and held these in treasury.

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

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

### Allotment of Shares and Disapplication of Pre-Emption Rights

At the forthcoming AGM, an ordinary resolution will be proposed to confer an authority on the Directors to allot and issue up to 2,329,788 shares (or, if less, the number of shares representing 5% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution) without regard to any and all rights of pre-emption or similar rights, whether under the Articles of Incorporation of the Company (including, without limitation, Article 6.2(a)) or otherwise. This authority shall be in addition to the authority conferred by Resolution 4 at the extraordinary general meeting of the Company on 26 October 2021 and shall expire at the conclusion of the AGM in 2023.

These authorities will expire at the conclusion of the AGM in 2023. The Directors consider that the authorities proposed to be granted at the AGM are necessary to retain flexibility,

although they do not, at the present time, have any intention of exercising such authorities.

### Significant Shareholders

As at 31 October 2021 and as at the date of this report, the Company had noted the following significant shareholdings of the issued Ordinary shares (excluding treasury shares).

	31 January 2022		31 October 2021	
	Holding	%	Holding	%
City of London Investment Management Company Limited	12,655,092	27.2	13,174,328	28.7
Lazard Asset Management LLC	10,414,347	22.4	10,149,999	22.1
Allspring Global Investments Holdings, LLC (formerly Wells Capital Management Inc)	8,697,048	18.7	9,995,640	21.8
1607 Capital Partners, LLC	3,285,116	7.1	5,202,377	11.3
West Yorkshire Pension Fund	1,522,656	3.3	1,800,000	3.9

No further notifications have been received between 31 January 2022 and the date of this report.

### Non-Mainstream Pooled Investments ("NMPis")

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

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

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

## Directors' Report Continued

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### Continuation Vote and Future Performance Linked Tender Offers

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

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

In addition, the Board intends that, if the Company's net asset value total return over the five years ending December 2026 does not exceed the total return of the MSCI China All Shares Index (in sterling terms), the Company will undertake a tender offer for up to 25% of the Company's issued share capital (excluding any shares held in treasury). Any such tender offer will be at a price equal to the then prevailing formula asset value ("FAV") per share less 2%.

### Automatic Exchange of Information Foreign Account Tax Compliance Act ("FATCA")

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

### The Common Reporting Standard ("CRS")

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

### Depository and Custody Services

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

### Management

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

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

Prior to the approval of the change to the Company's investment policy at the EGM on 26 October 2021, the Company's portfolio was managed by AAML by way of a group delegation agreement in place between ASFML and AAML. Immediately following the EGM a sub-delegation agreement was put in place between aHKL and AAML in order that the latter could manage the sale of the legacy assets. Once those assets have been sold, the sub-delegation agreement will be ended.

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

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

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

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

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

### Management Engagement

In accordance with the requirements of the FCA's Listing Rules, the Management Engagement Committee has reviewed

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

### Company Secretary and Administrators

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

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

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

### Payment of Suppliers

It is the Company's payment policy to obtain the best terms for all business and therefore there is no consistent policy as to the terms used. The Company contracts with its suppliers setting out the terms on which business will take place and abides by such terms. A high proportion of expenses, including management and administration fees, are paid within the month when invoiced. There were no overdue amounts owing to trade creditors at 31 October 2021.

### Settlement of Share Transactions

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

### Donations

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

### Going Concern

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

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

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

As at 31 October 2021, the Company held £201.8 million in cash and £112.9 million in investments. It is estimated that approximately 39.7% of the remaining investments held at the year end could be realised in one month. The total operating expenses for the year ended were £3.6 million, which on an annualised basis represented approximately 0.98% of average net assets during the year. The Company also incurred £0.2 million of finance costs. At the date of approval of this report, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 11 February 2022 were £341.1 million.

The Company has a £25 million revolving loan facility with RBSI, terminating on 26 March 2022. The Board expects to renew or replace the facility when it matures. As at 31 October 2021, none of the RBSI facility was drawn down. The liquidity of the Company's portfolio, as mentioned above, sufficiently supports the Company's ability to repay its borrowings at short notice.

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

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

### Covid-19

The rapid spread of Covid-19 led governments across the globe to implement policies to restrict the gathering, interaction and/or movement of people. These policies have inevitably impacted and changed the nature of the operations of some aspects of the Company, its key service providers and companies in its investment portfolio. Share prices respond to assessments of future economic activity as well as their own

## Directors' Report Continued

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forecast performance, and the Covid-19 pandemic has had a material impact on the global economy and may continue to do so for an unknown period of time. Stock markets have seen another year of unprecedented movements in prices and in some cases, uncorrelated with underlying valuations. The Board and Investment Manager have regular discussions to assess the impact of emerging risks, including Covid-19 on both the investment portfolio and on its ability to maximise returns for shareholders.

### Viability Statement

The Directors have assessed the prospects of the Company over the period from the date of this report up until 31 October 2024 (the "Period"). The Directors believe that the Period, being approximately three years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy.

In their evaluation of the prospects of the Company, the Directors have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, as set out on pages 25 and 26 of this report. Developments in Chinese and other Asian markets and portfolio changes are discussed at quarterly Board meetings and the internal control framework of the Company is subject to formal review on at least an annual basis. Under normal market conditions, the majority of the investments held by the Company could be sold within one month. However, there are circumstances which could lead to a reduction in market liquidity and, therefore, the ability of the Company to realise its investments.

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

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

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

### Auditor

KPMG Channel Islands Limited ("KPMG") was re-appointed as auditor of the Company at the AGM held on 20 April 2021. A resolution for the re-appointment of KPMG Channel Islands Limited as auditor of the Company is to be proposed at the forthcoming AGM.

### Annual General Meeting ("AGM")

The AGM will be held on 12 April 2022. Further details are provided in the Chairman's Statement. The notice of AGM is included in this document.

### Corporate Governance

The Corporate Governance Statement on pages 23 to 47 forms part of this report.

### Statement of Directors' Responsibilities

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

### Helen Green

Director

### William Collins

Director

24 February 2022

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# Corporate Governance Statement

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

The Board of abrDn China Investment Company Limited ("the Company") has considered the principles and recommendations of the Association of Investment Companies' ("AIC") Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") as issued in February 2019 and available on the AIC's website ([theaic.co.uk](http://theaic.co.uk)). The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in the UK Corporate Governance Code, issued in July 2018 and available on the FRC's website ([frc.org.uk](http://frc.org.uk)), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

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

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

The UK Corporate Governance Code includes provisions relating to:

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

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

## The Board

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

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

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

## Composition

Mr Hadsley-Chaplin was appointed by the Board on 26 April 2012, Mr Collins was appointed by the Board on 14 June 2012, Mrs Green was appointed by the Board on 1 July 2016, Ms de Rochechouart was appointed by the Board on 16 April 2019 and Ms Anne Gilding and Ms Sarah MacAulay were appointed by the Board on 9 November 2021. All the Directors hold their office in accordance with the Company's Articles of Incorporation.

Mr Hadsley-Chaplin was appointed Chairman of the Board on 10 April 2017.

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

# Corporate Governance Statement Continued

## Board Members

### Mark Hadsley-Chaplin

#### Status:

Independent Non-Executive Chairman and Chairman of the Management Engagement Committee



#### Experience:

United Kingdom resident – founded RWC Partners Ltd (formerly known as MPC Investors), a London-based fund management firm specialising in hedge funds, long only funds and UCITS strategies, in 2000. He was CEO until 2006 and Chairman until 2010. Prior to this he was Vice Chairman of UBS Securities (East Asia) Ltd, based in Singapore and responsible for the management and development of the bank's Asian equity business worldwide.

#### Length of service:

9 years, appointed a Director on 26 April 2012

#### Last re-elected to the Board

20 April 2021

#### Contribution:

The Nomination Committee has reviewed the contribution of Mark Hadsley-Chaplin in light of his proposed re-election as a Director at the forthcoming AGM and has concluded that he continues to provide significant investment knowledge and insight to the Board and of the investment trust sector.

#### Committee membership:

Remuneration Committee, Management Engagement Committee and Nomination Committee

#### All other public company directorships:

Mr Hadsley-Chaplin no other public company directorships.

### Helen Green

#### Status:

Senior Independent Non-Executive Director and Chairman of the Audit Committee



#### Experience:

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

#### Length of service:

5 years, appointed a Director on 1 July 2016

#### Last re-elected to the Board

20 April 2021

#### Contribution:

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

#### Committee membership:

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

#### All other public company directorships:

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

## William Collins

### Status:

Independent Non-Executive Director and Chairman of the Nomination and Remuneration Committees



### Experience:

Guernsey resident – has over 45 years' experience in banking and investment. From September 2007 he was employed by Bank J Safra Sarasin (formerly Bank Sarasin) in Guernsey as Director – Private Clients, retiring at the end of 2014. Prior to that he worked for Barings in Guernsey for over 18 years. In 1995 he was appointed a director and from 2003 until August 2007 was Managing Director of Baring Asset Management (CI) Ltd.

### Length of service:

9 years, appointed a Director on 14 June 2012

### Last re-elected to the Board

20 April 2021

### Contribution:

The Nomination Committee has reviewed and recognised the invaluable contribution of William Collins over his nine year tenure. William Collins will retire from the Board at the Company's AGM on 12 April 2022

### Committee membership:

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

### All other public company directorships:

Mr Collins holds no other public company directorships.

## Eleonore de Rochechouart

### Status:

Independent Non-Executive Director



### Experience:

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

### Length of service:

2 years, appointed a Director on 16 April 2019

### Last re-elected to the Board

20 April 2021

### Contribution:

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

### Committee membership:

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

### All other public company directorships:

Ms de Rochechouart holds no other public company directorships.

## Corporate Governance Statement Continued

### Anne Gilding

**Status:**  
Independent Non-Executive  
Director



**Experience:**

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

**Length of service:**

Appointed a Director on 9 November 2021

**Last re-elected to the Board**

n/a (newly appointed)

**Contribution:**

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

**Committee membership:**

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

**All other public company directorships:**

Momentum Multi-Asset Value Trust plc

### Sarah MacAulay

**Status:**  
Independent Non-Executive  
Director



**Experience:**

United Kingdom Resident - Formerly a Director of Baring Asset Management (Asia) Limited in Hong Kong and Asian Investment Manager at Eagle Star and Kleinwort Benson in London. She has over twenty years of Asian fund management experience in London and Hong Kong, managing and marketing portfolios across numerous jurisdictions. She is also a Trustee of Glendower School Trust, an educational charitable Trust.

**Length of service:**

Appointed a Director on 9 November 2021

**Last re-elected to the Board**

n/a (newly appointed)

**Contribution:**

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

**Committee membership:**

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

**All other public company directorships:**

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

### Directors' and Officers' Liabilities Insurance

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

### Board Diversity

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

### Board's Policy on Tenure

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

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

### Changes to the Board

John Hawkins retired from the Board at the AGM on 20 April 2021. Following completion of the combination with Aberdeen New Thai Investment Trust PLC on 9 November 2021, Anne Gilding and Sarah MacAulay, who were both non-executive directors of that company, were appointed Directors. William Collins will retire from the Board at the Company's Annual General Meeting on 12 April 2022. Ahead of his retirement, Helen Green has been appointed Senior Independent Director. It is expected that Mark Hadsley-Chaplin will retire from the Board before the Company's Annual General Meeting in 2023.

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

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

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

## Corporate Governance Statement Continued

### Directors' Shareholdings

At 31 October 2021 and at the date of this report, the Directors had the following shareholdings in the Company.

	Ordinary shares at the date of this report	Ordinary shares At 31 October 2021	Ordinary shares At 31 October 2020
M Hadsley-Chaplin	35,000	30,000	30,000
W Collins	15,000	15,000	15,000
H Green	1,800	1,800	1,800
E de Rochechouart	142	-	-
A Gilding (appointed on 9 November 2021)	1,667	n/a	n/a
S MacAulay (appointed on 9 November 2021)	2,779	n/a	n/a

Mr Hawkins, who retired during the year under review, held 20,000 shares at the beginning of the year and retired from the Board on 20 April 2021 with a holding of 30,000 Ordinary shares.

### Board Meetings

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

	Board*	Nomination Committee	Audit Committee*	Management Engagement Committee	Remuneration Committee
M Hadsley-Chaplin	4/4	1/1	n/a	1/1	1/1
W Collins	4/4	1/1	3/3	1/1	1/1
H Green	4/4	1/1	3/3	1/1	1/1
J Hawkins (retired on 20 April 2021)	2/2	n/a	1/1	n/a	n/a
E de Rochechouart	4/4	1/1	3/3	1/1	1/1
A Gilding (appointed on 9 November 2021)	n/a	n/a	n/a	n/a	n/a
S MacAulay (appointed on 9 November 2021)	n/a	n/a	n/a	n/a	n/a

\* A meeting of the Board and Audit Committee in respect of the year ended 31 October 2021 took place on 9 November 2021.

In addition, there were two ad hoc meetings which dealt with the scheme of reconstruction with a further meeting held on 9 November 2021. There were also two meetings held to authorise the publication of the respective interim and annual reports.

### Re-election of Directors

The services of each of the Directors are provided under the terms of letters of appointment between each of them and the Company. Each Director's appointment is for an initial three

year period subject to renewal and termination upon three months' notice.

In line with corporate governance best practice, all of the Directors, apart from those stepping down, will retire and offer themselves for election or re-election at the Annual General Meeting of the Company to be held on 12 April 2022.

## Conflicts of Interest

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

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

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

## Board Committees

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

### Audit Committee

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

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

### Management Engagement Committee

The Company has established a Management Engagement Committee which at the year end comprised, Mr Hadsley-Chaplin, Mr Collins, Ms de Rochechouart and Mrs Green. The Committee meets on at least an annual basis to consider the

appointment and remuneration of the Manager. The Committee also considers the appointment and remuneration of other suppliers of services to the Company. Ms Gilding and Ms MacAulay joined the Management Engagement Committee upon their appointment on 9 November 2021.

Mr Hadsley-Chaplin is Chairman of the Management Engagement Committee. The Committee has formal terms of reference and copies of these are available on request from the Company Secretary and on the Company's website.

### Nomination Committee

The Company has established a Nomination Committee which at the year end comprised Mr Collins, Mrs Green, Ms de Rochechouart and Mr Hadsley-Chaplin. The Committee has been established for the purpose of considering the composition of the Board as a whole and for identifying and putting forward candidates for the office of Director of the Company and meets on at least an annual basis. The Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job. Ms Gilding and Ms MacAulay joined the Nomination Committee upon their appointment on 9 November 2021.

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

### Remuneration Committee

The Company has established a Remuneration Committee, which at the year end comprised Mr Collins, Mr Hadsley-Chaplin, Ms de Rochechouart and Mrs Green. The Committee meets at least on an annual basis to consider the remuneration of the Directors. The Committee reviews the remuneration of the Directors and Chairman against the fees paid to the directors of other investment companies of a similar size and nature, as well as taking into account other comparable data. Ms Gilding and Ms MacAulay joined the Remuneration Committee upon their appointment on 9 November 2021.

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

# Corporate Governance Statement Continued

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## Performance Evaluation

A formal annual performance appraisal process is performed on the Board, the committees, and the individual Directors. The appraisal is performed internally and the Board considers that this is appropriate given the nature and size of the Company. A programme consisting of open and closed end questions is used as the basis for the appraisals. The results are reviewed by the Chairman and are then discussed with the Board so that any necessary action can be considered and undertaken. A separate appraisal of the Chairman is carried out under the supervision of the Senior Independent Director and the results are reviewed and reported back to the Chairman. The results of the performance appraisal carried out in the financial year ended 31 October 2021 demonstrated that the structure of the Board and the diverse experience of the Directors are appropriate to meet the Company's requirements.

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

## Internal Controls

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

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

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

## Financial Aspects of Internal Control

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

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

The Statement of Directors' Responsibilities in respect of the financial statements is on page 46 and a statement of going concern is on page 29. The Independent Auditor's Report is on pages 49 to 52.

## Other Aspects of Internal Control

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

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

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

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

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

### Principal Risks

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

### Shareholder Relations

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

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

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

### Exercise of Voting Powers

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

### UK Stewardship Code and Proxy Voting as an Institutional Shareholder

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

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

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

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

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

## Promoting the Success of the Company

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

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

The most significant consideration by the Board during the year was in relation to the Scheme of Reconstruction and change of investment mandate, both of which are explained in more detail within the Chairman's Statement.

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

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

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

**Shareholders:** The Board's principal concern is the interests of the Company's shareholders and potential investors. As a public company listed on the London Stock Exchange, the Company is subject to the FCA's Listing Rules and Disclosure Guidance and Transparency Rules. The Listing Rules include a listing principle that a listed company must ensure that it treats all shareholders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. With the assistance of regular discussions with and the formal advice of

the Company's legal counsel, secretary and corporate brokers; the Board abides by the Listing Rules at all times.

The Company's investment objective is to produce long-term capital growth by investing predominantly in Chinese equities. The portfolio will normally consist principally of quoted equity securities and depositary receipts although unlisted companies, fixed interest holdings or other non-equity investments may be held. The portfolio is actively managed and may be invested in companies of any size and in any sector. The Investment Manager believes this is an attractive profile in the circumstances and one that should hold broad appeal.

At the end of the year the Manager was in the process of implementing the new Investment Policy and has since invested more than 90% of the portfolio in Chinese equities.

The Board maintains an open dialogue between shareholders, the Manager and other service providers. The Manager along with the Company's corporate brokers regularly meet with the Company's shareholders to provide Company updates and to foster dialogue. Feedback from meetings between the Manager and shareholders is communicated to the Board. The Chairman and other members of the Board are available to support these meetings and to address shareholder questions and consult major shareholders at least on an annual basis.

The Board encourages shareholders to attend and participate in the Company's AGM at which the Investment Manager will provide a presentation on the Company's performance during the year and outlook for the future. The Company values any feedback and questions it may receive from shareholders ahead of and during the AGM.

The Company's Annual and Half Yearly Reports are made available on the Company's website and also circulated to shareholders, providing an in depth review of the Company's financial position and portfolio. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet and portfolio data, which are announced via a Regulatory Information Service and are also available on the Company's website.

In addition, the Board oversees the maintenance and integrity of the corporate and financial information included on the Company's website. The Company has engaged Aberdeen Standard Fund Managers Limited ("ASFML") for the provision of promotional activities to ensure that information and news about the Company is regularly available for existing and potential shareholders.

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For more information on shareholder engagement please see the Corporate Governance section of this report which contains further information on shareholder engagement.

At the AGM held by the Company on 20 April 2021, shareholder proxies representing 35.50%, 31.21%, 37.37% and 31.21% of the issued capital voted against the re-election of Mr Hadsley-Chaplin, Mr Collins, Mrs Green and Ms de Rochechouart respectively. The Board notes the reasons why the shares were voted in this way, but supports the democratic process which saw substantial support from shareholders.

**Manager / Investment Manager:** The most significant service provider for the Company's long-term success is ASFML, which has been appointed as the Company's AIFM in accordance with the Alternative Investment Fund Managers Directive (AIFMD), for the purpose of providing investment advisory services to the Company. The portfolio is managed by abrdrn Hong Kong Limited which is responsible for the management of the Company's portfolio in accordance with the Company's investment policy and the terms of the Management Agreement.

The Board monitors the Company's investment performance in relation to its objectives, investment policy and strategy. The Board regularly assesses the experience and resources of the investment management team and the commitment of the Manager; to promote the Company and foster shareholder relations and to ensure that the Company's objective is met. The Board receives and reviews regular reports and presentations from the Manager. An open and active relationship is maintained with the Investment Manager at Board meetings and additional meetings when needed.

**Suppliers:** As an externally managed investment company, the Company conducts all its business through its key service providers. On an annual basis, the Board reviews the continuing appointment of each service provider to ensure re-appointment is in the best interests of the Company's shareholders. Separately, the Auditor is invited to attend the Audit Committee meeting at least twice per year. The Audit Committee Chair maintains regular contact with the Audit partner to ensure the audit process is undertaken effectively. During the year under review, the Board sought and received reassurance that all key service providers had appropriate business continuity plans in place. All key service providers have maintained a high standard of service and demonstrated

operational resilience whilst working remotely during the restrictions caused by the Covid-19 pandemic. Further detail of the Company's key service providers can be found on page 64 of this Report.

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

The Company has arranged access to an unsecured 12-month revolving credit facility, under which loans with a maximum aggregate value of £25 million may be drawn.

**Regulators:** The Company and its appointed professional suppliers keep abreast of the rules, regulations and guidance affecting the listed investment company sector. The Board, Company Secretary and AIFM are responsible for ensuring that various regulatory and statutory obligations are met. During the year under review, the Board considered emergency legislation brought in to help companies engage effectively with shareholders during periods of Covid-19 restrictions. These included the ability to conduct virtual AGMs and extended deadlines for the publication of accounts.

**Wider community and the Environment:** Under its new investment objective, the Company seeks to have an ESG rating equal to, or better than, the MSCI China All Shares Index and have meaningfully lower carbon intensity than the Index. The Investment Manager places constructive engagement and ESG risk considerations at the heart of all investment research, ensuring that it is a responsible steward of its clients' assets. The Investment Manager believes this approach can mitigate risks and actively enhance returns for shareholders over the longer term.

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

For and on behalf of the Board

**William Collins**  
Director  
24 February 2022

# Report of the Audit Committee

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## Role, Composition and Meetings

The Board has established an Audit Committee, which at the year end comprised Mrs Green, Mr Collins and Ms de Rochechouart. As a minimum, the Audit Committee meets on a bi-annual basis and its main functions include, inter alia, reviewing and monitoring internal financial control systems and risk management systems on which the Company is reliant, considering annual and interim financial statements and reports from the auditor, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditor and monitoring and reviewing annually the auditor's independence, objectivity, effectiveness and qualifications and, where relevant, compliance with corporate governance changes. The Committee is responsible for the development and implementation of a policy on the supply of any non-audit services provided by the auditor. The Board has also requested that the Audit Committee advise it on whether it believes that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Mrs Green is the Chairman of the Audit Committee and has recent and relevant financial experience. The Audit Committee as a whole has competence relevant to the investment company sector.

During the year ended 31 October 2021, there were three meetings of the Audit Committee. The Company's external auditor also attends the meetings at the Committee's request and reports on its work procedures and its findings in relation to the Company's statutory audit. The Company's external auditor attended all of the Audit Committee meetings during the year ended 31 October 2021.

Since the year ended 31 October 2021, Ms Gilding and Ms MacAulay joined the Audit Committee upon their appointment as Directors of the Company.

## Financial Statements and Significant Accounting Matters

The Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the year ended 31 October 2021.

### Valuation of Investments

The Company, as an investment company, invests virtually all of its assets into Chinese equities. As at 31 October 2021, investments represented approximately 30.2% of its net assets.

This unusually low proportion to net assets was temporary while the Manager transitioned the portfolio to Chinese equities. As at 31 December 2021, investments represented more than 90% of its net assets. The valuation of investments is therefore the most significant factor in relation to the accuracy of the financial statements. The portfolio consists of investments in predominantly in quoted companies. The estimates, assumptions and judgements required to be made by management in determining the valuation of investments and method of accounting are described in more detail in notes 3(a) and 18 to the financial statements.

The Audit Committee reviewed the portfolio valuation as at 31 October 2021. The Audit Committee obtained confirmation from the Administrator, UK Administration Agent and the Manager that the Company's accounting policies on valuation of investments had been followed. The Audit Committee made enquiries of the Administrator, UK Administration Agent and the Manager with regards to the procedures that are in place to ensure that the portfolio is valued correctly.

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

### Effectiveness of External Audit

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

### Audit Tenure

KPMG Channel Islands Limited ("KPMG") has been the Company's external auditor since 2009 and the audit of the Company's accounts for the year ended 31 October 2021 will be the 12<sup>th</sup> year that KPMG has acted as auditor. Following

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professional guidelines, the audit partner rotates after five years. The current audit partner is in his 1<sup>st</sup> year of appointment. The Company is committed to the highest standards of corporate governance and, in accordance with best practice for premium-segment listed companies, in 2019 the Audit Committee decided to put the audit out to tender. The Audit Committee identified three suitably experienced audit firms, including KPMG. The three firms were asked to provide detailed written proposals to the Audit Committee and two of the firms were then interviewed by the Committee. Following the interviews, and having given full consideration to the proposed fees, auditor independence and quality of the audit teams, the Audit Committee concluded that it would be in the best interests of the Company for KPMG to be re-appointed as auditor.

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

#### Provision of Non-Audit Services

The Audit Committee has put a policy in place for the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent. During the year ended 31 October 2021 there were no non-audit services provided, other than interim review and reporting on the Company's half year financial statements. The fee payable to the Auditor for this additional service amounted to £16,560 (2020: £16,000).

#### Helen Green

Audit Committee Chairman  
24 February 2022

# Directors' Remuneration Report

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

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

A Remuneration Committee has been formed which comprises Mr Collins (Chairman), Mr Hadsley-Chaplin, Ms de Rochechouart and Mrs Green. The Directors' Remuneration Policy and level of Directors' Remuneration are determined by the Remuneration Committee.

Ms Gilding and Ms MacAulay joined the Remuneration Committee upon their appointment on 9 November 2021.

## Remuneration Policy

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

The Company's Articles of Incorporation currently limit the maximum amount payable in aggregate to the Directors to £200,000 per annum and this may only be changed by the passing of an ordinary resolution of the Company. Following a review undertaken by the Remuneration Committee, it was noted that Director's' fees had not been increased since 2018. This, together with the possibility of the appointment of an

additional Director, as a part of the Board's succession plan, would require a modest increase in the annual aggregate limit of Director's' fees. Therefore a resolution will be put to shareholders at the AGM on 12 April 2022 seeking approval to increase the aggregate limit to £250,000 per annum.

No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the year ended 31 October 2021.

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

## Directors' Service Contracts

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

There were no changes to the Directors' Remuneration Policy during the year nor are there any proposals for changes in the foreseeable future. The Remuneration Policy is reviewed by the Remuneration Committee on an annual basis and it is the Committee's intention that this Remuneration Policy will apply for the three year period ending 31 October 2022.

## Implementation Report

### Directors' Emoluments for the Year

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

During the year ended 31 October 2021, there were no additional fees paid to the Directors. All fees are at a fixed rate and there is no variable remuneration.

The following emoluments in the form of fees were payable in the year ended 31 October 2021 to the Directors who served during the year:

	Fees 2021 £'000	Fees 2020 £'000
M Hadsley-Chaplin (Chairman)	38.0	38.0
H Green	33.0	33.0
J Hawkins*	13.2	28.0
W Collins	28.0	28.0
E de Rochechouart	28.0	28.0
A Gilding (appointed on 9 November 2021)	n/a	n/a
S MacAulay (appointed on 9 November 2021)	n/a	n/a
	<b>140.2</b>	<b>155.0</b>

\*Retired on 20 April 2021. No change in fee.

#### Statement of Voting at the AGM

At the Company's last AGM, held on 20 April 2021, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 October 2020. 99.99% of proxy votes were in favour of the resolution and 0.01% of proxy votes were against.

At the Company's AGM held on 21 April 2020, shareholders approved the Directors' Remuneration Policy in respect of the

three years ending 31 October 2022. 99.9% of proxy votes were in favour of the resolution and 0.1% of proxy votes were against.

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 October 2021 will be proposed at the AGM.

#### Spend on Pay

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

#### Annual Statement

The Board confirms that the above Directors' Remuneration Report summarises, as applicable, for the year ended 31 October 2021:

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

#### William Collins

Remuneration Committee Chairman

24 February 2022

# Statement of Directors' Responsibilities

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## In Respect of the Annual Report and Accounts

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

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

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

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

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

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

## Disclosure of Information to the Auditor

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

## Responsibility Statement of the Directors in Respect of the Annual Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Management Report (comprising the Chairman's Statement, the Investment Manager's Report and the Governance reports including the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

**Helen Green**  
Director

**William Collins**  
Director

24 February 2022

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# Depository Report

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

We have enquired into the conduct of Aberdeen Standard Fund Managers Limited (the "AIFM"), for the year ended 31 October 2021, in our capacity as Depository to the Company.

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

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

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

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

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

## Basis of Depository review

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

## Review

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

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

**For and on behalf of  
Northern Trust (Guernsey) Limited**  
24 February 2022

# Financial Statements

Net assets per Ordinary share increased by 16.5% to 813.2p, while the revenue loss was 0.61p per Ordinary share as compared to a profit of 1.60p per Ordinary share in 2020.

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# Independent Auditor's Report

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

### Our opinion is unmodified

We have audited the financial statements of abrdrn China Investment Company Limited (the "Company"), which comprise the Statement of Financial Position as at 31 October 2021, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 October 2021, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

### Basis for opinion

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

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

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

The risk	Our response
<p><i>Valuation of Investments (Investments at fair value through profit or loss) £112,905,000; (2020: £324,975,000)</i></p> <p><i>Refer to page 42 of the Audit Committee, notes 2(g), 3(a) accounting policies and note 18 disclosures</i></p>	<p><b>Basis:</b> <i>As at 31 October 2021 the Company had invested in closed and open-ended investment funds (together, the "Investments") which represented a significant amount of net assets.</i></p> <p><i>The Company's listed or quoted Investments, which represents 21% of net assets, are valued based on prices obtained from third party pricing providers.</i></p> <p><i>The Company's holdings in unlisted funds, which represents 10% of net assets and are not quoted or traded on a recognised stock exchange or other trading facility are valued at the net asset values provided by the underlying funds' administrators.</i></p> <p><b>Risk:</b> <i>The valuation of the Company's Investments, given that it represents a significant amount of the Company's net assets, is a significant area of our audit, with those which are unlisted being subject to estimation risk.</i></p>
	<p><i>Our audit procedures included:</i></p> <p><b>Internal Controls:</b> <i>Assessing the design and implementation of the control over the valuation of Investments.</i></p> <p><b>Challenging managements' assumptions and inputs including use of KPMG Specialists:</b> <i>Our valuation specialist independently priced Investments with a value of £76,725,000 to a third party pricing source.</i></p> <p><i>For holdings in unlisted funds with a value of £36,180,000, we:</i></p> <ul style="list-style-type: none"> <li>· <i>considered the valuation technique applied for appropriateness</i></li> <li>· <i>confirmed the net asset value directly with the underlying funds' administrators or investment managers</i></li> <li>· <i>obtained the latest audited financial statements of the underlying funds in order to consider: the nature of the Investments held by the underlying funds; the financial reporting standards applied in the preparation of the underlying funds' financial statements; any modifications to audit reports; and any other disclosures that may be relevant to their valuation</i></li> </ul> <p><b>Assessing disclosures:</b> <i>We also considered the Company's disclosures (see note 2(g)) in relation to the use of estimates and judgments regarding the valuation of Investments and the Company's investment valuation policies adopted in note 3(a) and fair value disclosures in note 18 in compliance with IFRS.</i></p>

# Independent Auditor's Report Continued

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

Materiality for the financial statements as a whole was set at £7,474,000, determined with reference to a benchmark of net assets of £373,788,000, of which it represents approximately 2.0% (2020: 2.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £5,605,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £373,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

## Going concern

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

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

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

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

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

Our conclusions based on this work:

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

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

## Ability to detect fraud and breaches of laws and regulations

### Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

We performed procedures including

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

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

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

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

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

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

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

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

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

### Other information

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

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

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

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

- the directors' confirmation within the Viability Statement (page 30) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the Viability Statement (page 30) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its

## Independent Auditor's Report Continued

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

We are also required to review the Viability Statement, set out on page 30 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

### Corporate governance disclosures

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

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

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

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

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

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

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

### Respective responsibilities

#### Directors' responsibilities

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

#### Auditor's responsibilities

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

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

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

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

**Andrew J. Salisbury**

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

24 February 2022

# Statement of Comprehensive Income

	Note	Year ended 31 October 2021			Year ended 31 October 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value through profit or loss	4	-	64,438	64,438	-	25,522	25,522
Losses on currency movements		-	-	-	-	(166)	(166)
<b>Net investment gains</b>		<b>-</b>	<b>64,438</b>	<b>64,438</b>	<b>-</b>	<b>25,356</b>	<b>25,356</b>
Investment income	5	3,667	-	3,667	4,187	-	4,187
		<b>3,667</b>	<b>64,438</b>	<b>68,105</b>	<b>4,187</b>	<b>25,356</b>	<b>29,543</b>
Investment management fees	6	(2,753)	-	(2,753)	(2,216)	-	(2,216)
Other expenses	6	(882)	-	(882)	(842)	-	(842)
<b>Operating profit before finance costs and taxation</b>		<b>32</b>	<b>64,438</b>	<b>64,470</b>	<b>1,129</b>	<b>25,356</b>	<b>26,485</b>
Finance costs	9	(176)	-	(176)	(212)	-	(212)
<b>Operating profit before taxation</b>		<b>(144)</b>	<b>64,438</b>	<b>64,294</b>	<b>917</b>	<b>25,356</b>	<b>26,273</b>
Withholding tax expense		(138)	-	(138)	(183)	-	(183)
<b>Total profit and comprehensive income for the year</b>		<b>(282)</b>	<b>64,438</b>	<b>64,156</b>	<b>734</b>	<b>25,356</b>	<b>26,090</b>
<b>Earnings per Ordinary share</b>	10	<b>(0.61p)</b>	<b>140.19p</b>	<b>139.58p</b>	<b>1.60p</b>	<b>55.16p</b>	<b>56.76p</b>

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

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

The notes on pages 57 to 75 form part of these financial statements.

# Statement of Financial Position

	Note	As at 31 October 2021 £'000	As at 31 October 2020 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	4	112,905	324,975
<b>Current assets</b>			
Cash and cash equivalents		201,795	8,315
Sales for future settlement		59,838	924
Other receivables		119	367
		261,752	9,606
<b>Total assets</b>		<b>374,657</b>	<b>334,581</b>
<b>Current liabilities</b>			
Other payables		(835)	(1,111)
Finance costs payable	9	(34)	-
Bank loan payable	9	-	(12,500)
<b>Total liabilities</b>		<b>(869)</b>	<b>(13,611)</b>
<b>Net assets</b>		<b>373,788</b>	<b>320,970</b>
<b>Equity</b>			
Share capital	12	148,735	149,616
Capital reserve	13	230,544	176,563
Revenue reserve		(5,491)	(5,209)
<b>Total equity</b>		<b>373,788</b>	<b>320,970</b>
<b>Net assets per Ordinary share</b>	14	<b>813.20p</b>	<b>698.29p</b>

Approved by the Board of Directors and authorised for issue on 24 February 2022 and signed on its behalf by:

**Helen Green**  
Director

**William Collins**  
Director

The notes on pages 57 to 75 form part of these financial statements.

Incorporated in Guernsey: Company registration number 50900

# Statement of Changes in Equity

## For the year ended 31 October 2021

	Note	Share capital £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 November 2020		149,616	176,563	(5,209)	320,970
Profit for the year		-	64,438	(282)	64,156
Dividends paid	11	-	(10,457)	-	(10,457)
Tender offer and share issue costs (Scheme of Reconstruction)	20	(881)	-	-	(881)
<b>Balance at 31 October 2021</b>		<b>148,735</b>	<b>230,544</b>	<b>(5,491)</b>	<b>373,788</b>

## For the year ended 31 October 2020

	Note	Share capital £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 November 2019		149,616	161,204	(5,943)	304,877
Profit for the year		-	25,356	734	26,090
Dividends paid	11	-	(9,997)	-	(9,997)
<b>Balance at 31 October 2020</b>		<b>149,616</b>	<b>176,563</b>	<b>(5,209)</b>	<b>320,970</b>

The capital reserve at 31 October 2021 is split between realised gains of £183,241,000 and unrealised gains of £47,303,000 (2020: realised gains of £85,726,000 and unrealised gains of £90,837,000).

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

The notes on pages 57 to 75 form part of these financial statements.

## Statement of Cash Flows

	Note	Year ended 31 October 2021 £'000	Year ended 31 October 2020 £'000
<b>Operating activities</b>			
Cash inflow from investment income		3,885	4,184
Cash outflow from management expenses		(4,093)	(2,305)
Cash inflow from disposal of investments*		401,220	93,513
Cash outflow from purchase of investments*		(183,626)	(65,209)
Cash outflow from withholding tax		(138)	(183)
<b>Net cash flow from operating activities</b>	<b>15</b>	<b>217,248</b>	<b>30,000</b>
<b>Financing activities</b>			
Repayment of bank borrowings	9	(25,000)	(12,500)
Proceeds from bank borrowings	9	12,500	-
Borrowing commitment fee and interest charges	9	(142)	(212)
Dividend paid	11	(10,457)	(9,997)
Tender offer and share issue costs (Scheme of reconstruction)	20	(669)	-
<b>Net cash flow used in financing activities</b>		<b>(23,768)</b>	<b>(22,709)</b>
<b>Net increase in cash and cash equivalents</b>		<b>193,480</b>	<b>7,291</b>
Effect of foreign exchange		-	(166)
Cash and cash equivalents at start of the year		8,315	1,190
<b>Cash and cash equivalents at end of the year</b>		<b>201,795</b>	<b>8,315</b>

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

The notes on pages 57 to 75 form part of these financial statements.

# Notes to the Financial Statements

## For the Year Ended 31 October 2021

### 1. Reporting entity

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

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

#### Manager

The investment activities of the Company were managed by Aberdeen Standard Fund Managers Limited (“ASFML”) during the year ended 31 October 2021.

#### Non-mainstream pooled investments (“NMPIs”)

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

### 2. Basis of preparation

#### (a) Statement of compliance

The financial statements, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB and are in compliance with the Companies (Guernsey) Law, 2008. There were no significant changes in the accounting policies of the Company in the year to 31 October 2021.

Where presentational guidance set out in the Statement of Recommended Practice (“SORP”) for Investment Companies issued by the Association of Investment Companies (“AIC”) in April 2021 is consistent with the requirements of IFRS, the Directors have prepared the financial statements on a basis compliant with the recommendations of the SORP.

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

The financial statements were approved and authorised for issue by the Board on 24 February 2022.

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

#### (b) Going concern

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

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

## Notes to the Financial Statements Continued

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

As at 31 October 2021, the Company held £201.8 million in cash and £112.9 million in investments. It is estimated that approximately 99% of the investments held at the year end could be realised in one month. The total operating expenses for the year ended were £3.6 million, which on an annualised basis represented approximately 0.98% of average net assets during the year. The Company also incurred £0.2 million of finance costs. At the date of approval of this report, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 11 February 2022 were £341.1 million.

The Company has a £25 million revolving loan facility with RBSI, terminating on 26 March 2022. As at 31 October 2021, none of the RBSI facility was drawn down. The liquidity of the Company's portfolio, as mentioned above, sufficiently supports the Company's ability to repay its borrowings at short notice.

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

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

**(c) Basis of measurement**

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

**(d) Functional and presentation currency**

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

**(e) Capital reserve**

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

**(f) Revenue reserve**

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

**(g) Use of estimates, assumptions and judgements**

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

**Use of estimates and assumptions**

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

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

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### Classification and valuation of investments

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

### Allocation of investments to fair value hierarchy

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

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

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

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

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

### Use of judgements

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

## 3. Significant accounting policies

### (a) Investments

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

- i) investments quoted or dealt on recognised stock exchanges in an active market are valued by reference to their market bid prices;
- ii) investments other than those in i) above which are dealt on a trading facility in an active market are valued by reference to broker bid price quotations, if available, for those investments;
- iii) investments in underlying funds, which are not quoted or dealt on a recognised stock exchange or other trading facility or in an active market, are valued at the net asset values provided by such entities or their administrators. These values may be unaudited or may themselves be estimates and may not be produced in a timely manner. If such information is not provided, or is insufficiently timely, the Investment Manager uses appropriate valuation techniques to estimate the value of investments. In determining fair value of such investments, the Investment Manager takes into

## Notes to the Financial Statements Continued

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consideration the relevant issues, which may include the impact of suspension, redemptions, liquidation proceedings and other significant factors. Any such valuations are assessed and approved by the Directors. The estimates may differ from actual realisable values;

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

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

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

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

### (b) Foreign currency

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

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

### (c) Income from investments

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

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

### (d) Treasury shares

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

### (e) Cash and cash equivalents

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

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**(f) Investment management fees and finance costs**

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

**(g) Financial liabilities**

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

**(h) Taxation**

The Company has exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £1,200 (2020: £1,200).

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

**(i) Operating segments**

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

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

**(j) Offsetting**

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

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

**(k) Structured entities**

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

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

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

## Notes to the Financial Statements Continued

### (l) Dividend payable

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

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

#### Effective in the current financial year

There are no new standards, interpretations, and/or amendments, relevant to the Company which became effective during the financial year under review.

#### Not yet in effect

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

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

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

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

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

	2021 £'000	2020 £'000
Quoted and listed closed end fund investments	39,890	159,968
Open ended fund and limited liability partnership investments	73,015	165,007
<b>Total fair value investments at 31 October</b>	<b>112,905</b>	<b>324,975</b>
Investments held at fair value through profit or loss		
Opening book cost	234,136	259,025
Opening investment holding gains	90,839	69,688
<b>Opening fair value</b>	<b>324,975</b>	<b>328,713</b>
<b>Analysis of transactions made during the year</b>		
Purchases at cost	183,626	65,105
Sales proceeds received	(460,134)	(94,365)
Gains on investments at fair value through profit or loss	64,438	25,522
<b>Closing fair value</b>	<b>112,905</b>	<b>324,975</b>
Closing book cost	65,600	234,136
Closing investment holding gains	47,305	90,839
<b>Closing fair value</b>	<b>112,905</b>	<b>324,975</b>

The company received £460,134,000 (2020: £94,365,000) from investments sold during the year. The book cost of these investments when they were purchased was £352,162,000 (2020: £89,994,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

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

#### Financial instruments as at 31 October 2021

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

#### Financial instruments as at 31 October 2020

	Financial assets measured at fair value £'000	Financial assets measured at amortised cost £'000	Financial liabilities measured at fair value £'000	Financial liabilities measured at amortised cost £'000	Total £'000
Investments at fair value through profit or loss	324,975	-	-	-	324,975
Cash and cash equivalents	-	8,315	-	-	8,315
Sales for future settlement and other receivables	-	1,291	-	-	1,291
Purchases for future settlement and other payables	-	-	(1,111)	-	(1,111)
Bank loan payable	-	-	-	(12,500)	(12,500)
<b>Total</b>	<b>324,975</b>	<b>9,606</b>	<b>(1,111)</b>	<b>(12,500)</b>	<b>320,970</b>

#### 5. Investment income

	2021 £'000	2020 £'000
Dividends from UK Investments	2,824	3,168
Dividends from Overseas Investments	843	1,018
Other income	-	1
<b>Total Investment income</b>	<b>3,667</b>	<b>4,187</b>

## Notes to the Financial Statements Continued

### 6. Investment Management fee and other expenses

	2021 £'000	2020 £'000
<b>Management fee</b>	<b>2,753</b>	<b>2,216</b>
Administration fees	202	200
Depositary and custody service fees	172	157
Registration fees	34	36
Directors' fees	140	155
Auditor's fees:		
Audit services	47	40
Non-audit services	17	16
Promotional fees	123	94
Broker fees	51	52
Miscellaneous expenses	96	92
<b>Total other expenses</b>	<b>882</b>	<b>842</b>
<b>Total Investment Management fee and other expenses</b>	<b>3,635</b>	<b>3,058</b>

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

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

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

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

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

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

**Promotional fee**

During the year the Company paid fees of £123,400 (2020: 123,400) to ASFML for the provision of promotional activities.

**Company Secretary and Administrator fees**

Vistra Fund Services (Guernsey) Limited (“Vistra”) is appointed as Administrator and Secretary to the Company. Vistra is appointed under a contract subject to ninety days’ written notice and receives a fee at a rate of £40,000 per annum plus certain additional fees (during the year ended 31 October 2021, Vistra’s fee for ad hoc meetings held amounted to £8,250 (2020: £8,250)). Vistra also receives the fees payable to the UK Administration Agent.

**UK Administration agent fees**

Sanne Fund Services (UK) Limited (formerly PraxisIFM Fund Services (UK) Limited) is appointed by Vistra to act as administration agent in the United Kingdom. Sanne is appointed under a contract subject to not less than ninety days’ notice. The UK Administration Agent receives from the Administrator a monthly fee equal to one twelfth of 0.1% of NAV subject to a maximum fee for the year ended 31 October 2021 of £153,774 (2020: £151,736) per annum. The maximum fee is increased annually, in November, by the change in the UK Retail Price Index (all items) over the preceding 12 months.

**Depository and custody services and fees**

Northern Trust (Guernsey) Limited, receives fees for Depository services calculated at the rate of 2.95 basis points per annum subject to a minimum annual fee of £20,000, effective 1 August 2018. Northern Trust (Guernsey) Limited also receives a fee for custody services. It receives an asset based fee equal to between 1.00 basis points and 60.00 basis points of the value of the assets of the Company. Transaction based fees are also payable of between £10 and £140 per transaction. The variable fees are dependent on the countries in which the individual holdings are registered. The fees for depository and custody services payable for the year were £172,200 (2020: £157,000).

**7. Directors’ fees**

The Director’s fees payable for the year were £140,200 (2020: £155,000). There were no other emoluments paid to the Directors.

## Notes to the Financial Statements Continued

### 8. Transaction charges

	2021 £'000	2020 £'000
Transaction costs on purchases of investments	137	106
Transaction costs on sales of investments	250	56
<b>Total transaction costs included in gains on investments</b>	<b>387</b>	<b>162</b>

### 9. Bank loan payable and finance costs

On 29 March 2018, the Company entered into an unsecured 12 month revolving credit facility with The Royal Bank of Scotland plc, under which loans with a maximum aggregate value of £25 million may be drawn. The facility was renewed with The Royal Bank of Scotland International Limited (London Branch) ("RBSI") on 26 March 2021 for a further 12 month period, with a termination date of 26 March 2022.

	2021 £'000	2020 £'000
<b>Bank loan</b>		
<b>Opening balance</b>	<b>12,500</b>	<b>25,000</b>
Proceeds from bank borrowings (drawdowns)	12,500	-
Repayment of bank borrowings (repayments)	(25,000)	(12,500)
<b>Closing balance</b>	<b>-</b>	<b>12,500</b>
	2021 £'000	2020 £'000
<b>Finance costs</b>		
Interest payable	151	184
Facility arrangement fees and other charges	25	28
<b>Total finance costs</b>	<b>176</b>	<b>212</b>

At 31 October 2021, Finance costs payable of £34,000 (2020: £nil) was accrued in the Statement of Financial Position.

### 10. Earnings per Ordinary share

Earnings per Ordinary share is based on the total comprehensive income for the year ended 31 October 2021, being a profit of £64,156,000 (2020: profit of £26,090,000) attributable to the weighted average of 45,965,159 (2020: 45,965,159) Ordinary shares in issue (excluding shares held in treasury) during the period ended 31 October 2021.

Supplementary information is provided as follows: revenue per share is based on the net revenue loss of £282,000 (2020: profit of £734,000) and capital earnings per share is based on the net capital profit of £64,438,000 (2020: £25,356,000) attributable to the above Ordinary shares.

## 11. Dividends paid

## Dividends paid during the year ended 31 October 2021

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

## Dividends paid during the year ended 31 October 2020

Dividend type (in respect of the year) – Pay date	Pence per Ordinary share	£'000
Fourth interim (2019) - paid 20 December 2019	5.25	2,413
First interim (2020) - paid 27 March 2020	5.50	2,528
Second interim (2020) - paid 26 June 2020	5.50	2,528
Third interim (2020) - paid 25 September 2020	5.50	2,528
<b>Total dividends</b>	<b>21.75</b>	<b>9,997</b>

## 12. Share capital

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

For the year ended 31 October 2020	Authorised	Ordinary shares of 1 p nominal value £'000	Allotted, issued and fully paid	Ordinary shares with voting rights (excluding treasury shares)	Treasury shares
Opening number of shares	Unlimited	546	54,618,507	45,965,159	8,653,348
Purchase of own shares	-	-	-	-	-
<b>Closing number of shares</b>	<b>Unlimited</b>	<b>546</b>	<b>54,618,507</b>	<b>45,965,159</b>	<b>8,653,348</b>

## Purchases of own shares

There were no Ordinary shares purchased during the year (2020: none).

## Share capital account

The aggregate balance (including share premium) standing to the credit of the share capital account as at 31 October 2021 was £148,735,000 (2020: £149,616,000).

## Ordinary shares

## Voting rights (as at 31 October 2021)

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

## Notes to the Financial Statements Continued

At its financial year end, the Company had 202 registered shareholders. At 31 October 2021, the Company was notified of 4 shareholders who each held more than 10% of the issued share capital and their holdings were 28.7% (2020: 28.8%), 22.1% (2020: 22.5%), 21.8% (2020: 19.6%) and 11.3% (2020: 12.2%) respectively.

### Dividends

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

### Capital entitlement

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

### 13. Capital reserve

	2021 £'000	2020 £'000
<b>Realised gains on investments and other capital reserve movements</b>		
Opening balance	85,726	91,515
Dividends paid from capital reserves	(10,457)	(9,997)
Gains from disposal of investments*	114,954	15,107
Losses from disposal of investments*	(6,982)	(10,733)
Foreign exchange losses	-	(166)
<b>Balance at 31 October</b>	<b>183,241</b>	<b>85,726</b>
<b>Investments held</b>		
Opening balance	90,837	69,689
Movement in unrealised gain on revaluation of investments held*	27,661	38,149
Movement in unrealised loss on revaluation of investments held*	(71,195)	(17,001)
<b>Balance at 31 October</b>	<b>47,303</b>	<b>90,837</b>
<b>Capital reserve balance at 31 October</b>	<b>230,544</b>	<b>176,563</b>

\* Net gains on investments held at fair value through profit or loss figure for the year ended 31 October 2021 totalled £64,438,000 (2020: £25,522,000).

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

The NAV per Ordinary share is based on net assets of £373,788,000 (2020: £320,970,000) divided by 45,965,159 (2020: 45,965,159) Ordinary shares in issue (excluding shares held in treasury) at the year end.

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

	As at 31 October 2021		As at 31 October 2020	
	Net assets (£'millions)	NAV per Ordinary share (p)	Net assets (£'millions)	NAV per Ordinary share (p)
NAV as published on 1 November 2021 and 1 November 2020 respectively	373.7	813.09	321.2	698.72
Revaluation adjustments – delayed prices	0.1	0.11	(0.2)	(0.43)
<b>NAV as disclosed in these financial statements</b>	<b>373.8</b>	<b>813.20</b>	<b>321.0</b>	<b>698.29</b>

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

	2021 £'000	2020 £'000
Operating profit before finance costs and taxation	64,470	26,485
Less: Tax deducted at source on income from investments	(138)	(183)
Add: Realisation of investments at book cost	352,162	89,994
Less: Purchase of investments	(183,626)	(65,105)
Less: Adjustment for unrealised losses / (gains)	43,534	(21,151)
Less: Adjustment for accrued (Scheme of reconstruction)	(212)	-
Effect of foreign exchange	-	166
Increase in trade receivables	(58,666)	(869)
(Decrease)/increase in trade payables	(276)	663
<b>Net cash flow from operating activities</b>	<b>217,248</b>	<b>30,000</b>

#### 16. Related party disclosures

##### Manager

Management fees payable are shown in the Statement of Comprehensive Income and note 6. As at 31 October 2021, management fees of £472,000 (2020: £951,000) were accrued in the Statement of Financial Position. Total management fees for the year were £2,753,000 (2020: £2,216,000).

Details of promotional fees payable can be found in note 6. The balance outstanding at the financial year end was £41,000 (2020: £61,000).

## Notes to the Financial Statements Continued

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

As at 31 October 2021, the Company held the following investments managed by the abrdn Group;

	As at 31 October 2021 £'000	As at 31 October 2020 £'000
Aberdeen Standard SICAV I – China A Share Equity Fund	21,874	16,688
Aberdeen New India Investment Trust PLC	10,826	9,061
Aberdeen Asian Income Fund Limited	6,215	11,414
Aberdeen Standard SICAV I - Frontier Markets Bond Fund	–	13,457
Asia Dragon Trust PLC	–	5,282
<b>Total</b>	<b>38,915</b>	<b>55,902</b>

### Directors

Total fees for the Directors in the year ended 31 October 2021 were £140,200 (2020: £155,000). There were no outstanding fees due to the Directors at the year end (2020: £nil). Details of Directors' share holdings in the Company can be found on page 36.

## 17. Financial instruments – risk profile

### Risk Management Framework

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

### Market risk

#### i) Risks associated with Chinese and emerging markets

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

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

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

#### ii) Currency risk

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

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

### Currency price risk sensitivity

The effect of a 1% appreciation/depreciation in the exchange rate of the US dollar over sterling would have resulted in an increase/decrease of £830,000 (2020: £1,526,000) in the Company's investments held at fair value through profit or loss at the Statement of Financial Position date. This analysis assumes that all other variables remain constant.

### iii) Interest rate risk

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

On 29 March 2018, the Company entered into an unsecured 12 month revolving credit facility with The Royal Bank of Scotland plc, under which loans with a maximum aggregate value of £25 million may be drawn. The facility was renewed with The Royal Bank of Scotland International Limited (London Branch) ("RBSI") on 26 March 2021 for a further 12 month period, with a termination date of 26 March 2022. As at 31 October 2021, nothing was drawn down (2020: £12.5 million was drawn down at an all-in monthly rate of 0.76925%)

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

### Interest rate risk sensitivity

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

### Quantitative analysis

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

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

	As at 31 October 2021				As at 31 October 2020			
	Cash flow Interest rate risk £'000	Non interest rate risk £'000	Total £'000	% of net assets	Cash flow Interest rate risk £'000	No interest rate risk £'000	Total £'000	% of net assets
<b>Non-current asset investments at fair value:</b>								
EUR denominated	-	-	-	-	-	8,335	8,335	2.6
GBP denominated	-	32,584	32,584	8.7	-	164,017	164,017	51.1
USD denominated	-	80,321	80,321	21.5	-	152,623	152,623	47.5
<b>Cash and cash equivalents</b>								
GBP*		182,718	182,718	48.9		6,697	6,697	2.1
USD*		19,077	19,077	5.1		1,618	1,618	0.5
Short term receivables	-	59,957	59,957	16.0	-	1,291	1,291	0.4
Short term payables	(34)	(835)	(869)	(0.2)	(12,500)	(1,111)	(13,611)	(4.2)
	<b>(34)</b>	<b>373,822</b>	<b>373,788</b>	<b>100.0</b>	<b>(12,500)</b>	<b>333,470</b>	<b>320,970</b>	<b>100.0</b>

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

## Notes to the Financial Statements Continued

### iv) Other price risks

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

### Market price risk sensitivity

The effect on the portfolio of a 10% increase or decrease in market prices would have resulted in an increase or decrease of £11,290,500 (2020: £32,497,000) in the investments designated as fair value through profit or loss at the Statement of Financial Position date, equivalent to 3.0% (2020: 10.1%) of the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

### Liquidity risks

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

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

Liquidation Period	2021* (%)	2020 (%)
One month	39.7	68
Three months	78.3	84
One year	95.9	91

\* Towards the year ended 31 October 2021, in preparation of implementing the Scheme of reconstruction, the majority of the Company's assets were liquidated.

The analysis above supports the Company's ability to repay borrowings, considering the Company is permitted to borrow, at the point of borrowing, up to 15% of its net assets compared to the Company's ability to realise an estimated 39.7% of its portfolio within one month.

The Company had no (2020: £nil) purchase transactions and £59,838,000 (2020: £924,000) sales transactions awaiting settlement at the year end.

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

### Credit risks

The Company's principal direct credit risk is the risk of default on cash held at the custodian. Cash at bank at 31 October 2021 included £201,795,000 (2020: £8,315,000) held by the custodian, Northern Trust (Guernsey) Limited. The Company monitors the credit quality of the custodian. Interest is based on the prevailing money market rates.

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

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

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

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

### Capital management

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

The Company's authorised share capital consists of an unlimited number of Ordinary shares of £0.01 par value. At 31 October 2021, there were 45,965,159 (2020: 45,965,159) Ordinary shares in issue (excluding shares held in treasury).

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

The Company entered into an unsecured revolving credit facility with RBSI on 29 March 2018, under which loans with a maximum aggregate value of £25 million may be drawn. The facility was renewed with The Royal Bank of Scotland International Limited (London Branch) ("RBSI") on 26 March 2021 for a further 12 month period, with a termination date of 26 March 2022. As at 31 October 2021, nothing was drawn down (2020: £12.5 million was drawn down at an all-in monthly rate of 0.76925%).

Restrictions imposed by RBSI in connection with the loan facility include the following covenants:

- Consolidated net tangible assets are not less than £175 million.
- Consolidated gross borrowings expressed as a percentage of the investment portfolio value shall not exceed 15%.
- Consolidated gross borrowings expressed as a percentage of the adjusted investment portfolio value shall not exceed 22.5%.
- The Borrower's portfolio must contain a minimum of 20 eligible Investments of which a minimum of 5 shall be of a closed-ended structure.

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

### Operational risk

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

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

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

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

## Notes to the Financial Statements Continued

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

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

### 18. Valuation of financial instruments

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

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

	31 October 2021 £'000	31 October 2020 £'000
Level 1	69,419	277,526
Level 2	42,128	45,320
Level 3	1,358	2,129
<b>Total</b>	<b>112,905</b>	<b>324,975</b>

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

There were no investments transferred between levels during the year (2020: three investments transferred between levels).

#### Level 1 classification basis

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

#### Level 2 classification basis

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

#### Level 3 classification basis

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

## Notes to the Financial Statements Continued

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

	2021 £'000	2020 £'000
Opening balance	2,129	1,779
Additions during the year	-	-
Disposals during the year	-	(5,592)
Profit or loss on disposals during the year	-	1,837
Transfer of investment from level 2 to level 3	-	6,852
Valuation adjustments*	(771)	(2,747)
<b>Closing balance at 31 October</b>	<b>1,358</b>	<b>2,129</b>

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

### Level 3 classified investments sensitivity analysis

If the fair value of level 3 classified investments changed by 5%, the impact on the Company's net assets attributable to equity holders would be 0.01% (2020: 0.02%). As at 31 October 2021, the Company's net assets attributable to equity holders would be adversely affected by a maximum of 0.3% (2020: 0.3%) if level 3 classified investments were written off to £nil.

### Structured entities

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

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

The investments in structured entities are financial assets which are designated as fair value through profit or loss in the Company's financial statements. During the year ended 31 October 2021, the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

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

2021

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

2020

Strategy	Number of investee funds	Fair value range £'000	Weighted average fair value £'000	Investment at fair value £'000	% of total net assets of underlying funds
Equity long-only	9	1,059 - 35,730	19,088	100,754	31.0%

### Equity long-only

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

## Notes to the Financial Statements Continued

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### 19. Operating segments

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

No single investment accounted for more than 5.8% (2020: 11.1%) of the Company's net assets at the Company's year end. The Investment Manager aims to identify funds which it considers are likely to deliver consistent capital growth over the longer term.

### 20. Post balance sheet events

#### Scheme of Reconstruction

On 9 November 2021 the Company completed and announced its Scheme of Reconstruction. Further to the announcement of the proposed combination with Aberdeen New Thai Investment Trust PLC on 30 July 2021, the announcement of the publication of the Prospectus and Circular on 4 October 2021 and the announcement of the results of the Tender Offer on 3 November 2021, the Company announced that the scheme of reconstruction (the "Scheme") of Aberdeen New Thai Investment Trust PLC had been approved by the shareholders of Aberdeen New Thai Investment Trust PLC. As a result of the Scheme, the change in share capital of the Company was as follows:

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

The cost of implementing the Scheme amounted to approximately £881,000 of which £669,000 was paid within the year under review.

#### Purchase of own shares

In addition to the Scheme mentioned above, since the year ended 31 October 2021, the Company has purchased 29,048 of its own Ordinary shares and held them in Treasury.

#### Appointment of New Directors

The Board of the Company also announced the appointment of two new Directors, Anne Gilding and Sarah MacAulay, with effect from 9 November 2021.

#### Investment Trust status

Following the merger with New Thai, the Company applied to HMRC for approval as an investment trust under Chapter 4 of Part 24 CTA 2010 and Chapter 1 of Part 2 of The Investment Trust Tax Regulations. As a result, the Company will be considered to be an investment trust from the start of the financial year ending 31 October 2022 and will become resident in the United Kingdom for tax purposes.

#### Depreciation notification

Subsequent to the period end, the Company's NAV has suffered as a result of a decline in stockmarket values. The NAV per share as at the close of business on 22 February 2022 the latest available prior to signing this report, was 710.44p, a decline of 12.6% compared with the NAV per share of 813.2p at the year end.

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# Corporate Information

The Annual General Meeting will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH at 12 noon on 12 April 2022.

We will also be hosting an Online Shareholder Presentation, which will be held at 10.00am on 30 March 2022. Full details on how to register for the online event can be found at:

**[bit.ly/abrdn-China-webinar](https://bit.ly/abrdn-China-webinar)**

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# Alternative Performance Measures (“APMs”) (unaudited)

## Discount

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

		Page	As at 31 October 2021	As at 31 October 2020
NAV per Ordinary share (pence)	a	54	813.20	698.29
Ordinary share price (pence)	b	2	695.00	605.00
<b>Discount</b>	<b>1-(b÷a)</b>		<b>14.5%</b>	<b>13.4%</b>

## Gearing

A way to magnify income and capital returns, but which can also magnify losses. The revolving loan facility with RBSI is a common method of gearing.

		Page	As at 31 October 2021	As at 31 October 2020
Total assets less cash/cash equivalents (£'000)	a	n/a	172,862	326,266
Net assets (£'000)	b	54	373,788	320,970
<b>Gearing (net)</b>	<b>(a÷b)-1</b>		<b>Nil</b>	<b>1.6%</b>

## Leverage

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

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

Further details on the Company’s leverage is provided on page 82.

### Ongoing charges

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

		Page	As at 31 October 2021	As at 31 October 2020
Average NAV (£'000)	a	n/a	372,698	299,662
Annualised expenses* (£'000)	b	n/a	3,635	3,058
<b>Ongoing charges</b>	<b>b÷a</b>	<b>2</b>	<b>0.98%</b>	<b>1.02%</b>

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

### Total return

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

Year ended 31 October 2021		Page	Ordinary share price	NAV
Opening at 1 November 2020 (pence)	a	2	605.00	698.29
Closing at 31 October 2021 (pence)	b	2	695.00	813.20
Share price/NAV movement (b ÷ a) - 1	c	n/a	14.9%	16.5%
Dividend reinvestment	d	n/a	3.8%	3.3%
<b>Total return (c+d)</b>			<b>18.7%</b>	<b>19.8%</b>

n/a = not applicable

Year ended 31 October 2020			Ordinary share price	NAV
Opening at 1 November 2019 (pence)	a		561.00	663.28
Closing at 31 October 2020 (pence)	b		605.00	698.29
Share price/NAV movement (b ÷ a) - 1	c		7.8%	5.3%
Dividend reinvestment	d		4.4%	3.6%
<b>Total return (c+d)</b>			<b>12.2%</b>	<b>8.9%</b>

# Investor Information

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## Alternative Investment Fund Managers Directive (“AIFMD”) and Pre-Investment Disclosure Document (“PIDD”)

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

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

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

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

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

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

## Shareholder Enquiries

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

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

For questions about an investment held through the abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust Stocks and Shares ISA, please telephone the Manager’s Customer Services Department on **0808 500 0040**, email [inv.trusts@abrdn.com](mailto:inv.trusts@abrdn.com) or write to:

### abrdn Investment Trusts

PO Box 11020

Chelmsford

Essex CM99 2DB

### Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2021/22 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder’s responsibility to include all dividend income when calculating any tax liability.

### How to Invest

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

### abrdn Investment Plan for Children

abrdn operates an Investment Plan for Children (the “Children’s Plan”) which covers a number of investment companies under its management, including the Company. Anyone can invest in the Children’s Plan (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per company, while regular savers may invest from £30 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children’s Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time.

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### abrDN Share Plan

abrDN operates a Share Plan (the “Plan”) through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing abrDN in writing at any time.

### abrDN Investment Trusts ISA

abrDN operates an Investment Trust ISA (“ISA”) through which an investment may be made of up to £20,000 in the 2021/22 tax year.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of Capital Gains Tax.

### ISA Transfer

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

### Nominee Accounts and Voting Rights

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

### Keeping You Informed

Further information about the Company may be found on its dedicated website: [abrDNchina.co.uk](http://abrDNchina.co.uk). This provides access to information on the Company’s share price performance, capital structure, London Stock Exchange announcements,

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

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

Details are also available at: [invtrusts.co.uk](http://invtrusts.co.uk).

### Twitter

@abrDNTrusts

### LinkedIn

abrDN Investment Trusts

### Key Information Document (“KID”)

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

### Literature Request Service

For literature and application forms for abrDN’ Investment Trust’s products, please contact us through [invtrusts.co.uk](http://invtrusts.co.uk).

Or telephone: **0808 500 4000**

Or write to:

**abrDN Investment Trusts**  
**PO Box 11020**  
**Chelmsford**  
**Essex CM99 2DB**

### Terms and Conditions

Terms and conditions for abrDN managed savings products can also be found under the Literature section of the Manager’s website at: [invtrusts.co.uk](http://invtrusts.co.uk).

### Online Dealing

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

### Discretionary Private Client Stockbrokers

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

## Investor Information Continued

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### Financial Advisers

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

### Regulation of Stockbrokers

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

### Note

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

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

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

The information on pages 79 to 81 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 in the United Kingdom.

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## AIFMD Disclosures (unaudited)

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

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

- information on the investment strategy, geographical and sector investment focus and principal stock exposures is included in the Investment Manager’s Report on pages 9 to 20;
- none of the Company’s assets are subject to special arrangements arising from their illiquid nature;
- the Investment Manager’s Report on pages 9 to 20, 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 ASFML;
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM’s remuneration policy is available from the Company’s Manager, Aberdeen Standard Fund Managers Limited, on request and the remuneration disclosures in respect of the AIFM’s relevant reporting period for the year ended 31 December 2021 is available on the Company’s website.

### Leverage

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

	2021		2020	
	Gross Method	Commitment Method	Gross Method	Commitment Method
Maximum level of leverage	2.00:1	2.00:1	1.15:1	1.15:1
Actual level at 31 October 2021	1.00:1	1.00:1	1.02:1	1.02:1

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

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

# Glossary of Terms and Definitions

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<b>abrdrn</b>	abrdrn is the brand of abrdrn plc.
<b>abrdrn Group</b>	The abrdrn plc group of companies
<b>AIC</b>	The Association of Investment Companies
<b>Alternative Investment Fund or "AIF"</b>	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
<b>Alternative Investment Fund Managers Directive or "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 fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.
<b>Annual General Meeting or "AGM"</b>	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
<b>Benchmark Index</b>	A basket of stocks which is considered to replicate a particular stock market or sector.
<b>Discount</b>	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
<b>Depository</b>	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depository's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the Depository is appointed under a strict liability regime. Northern Trust (Guernsey) Limited has been appointed to provide depository services to the Company.
<b>Dividend</b>	Income receivable from an investment in shares.
<b>Ex-dividend date</b>	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
<b>Financial Conduct Authority or "FCA"</b>	The independent body that regulates the financial services industry in the UK.
<b>Gearing</b>	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
<b>Investment Company</b>	A company formed to invest in a diversified portfolio of assets.
<b>Investment Manager</b>	abrdrn Hong Kong Limited is a wholly owned subsidiary of abrdrn plc and acts as the Company's investment manager.
<b>Key Information Document or "KID"</b>	The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.
<b>Leverage</b>	An alternative word for "Gearing".  Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.  Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

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<b>Liquidity</b>	The extent to which investments can be sold at short notice.
<b>Manager, "AIFM" or "ASFML"</b>	Aberdeen Standard Fund Managers Limited is a wholly owned subsidiary of abr dn plc and acts as the Alternative Investment Fund Manager for the Company. It is authorised and regulated by the Financial Conduct Authority.
<b>Net assets</b>	An investment company's assets less its liabilities
<b>Net asset value ("NAV") per Ordinary share</b>	Net assets divided by the number of Ordinary shares in issue (excluding any shares held in treasury)
<b>Ongoing charges</b>	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
<b>Ordinary shares</b>	The Company's ordinary shares in issue.
<b>Portfolio</b>	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
<b>Premium</b>	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
<b>Share buyback</b>	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
<b>Share price</b>	The price of a share as determined by a relevant stock market.
<b>Total return</b>	A measure of performance that takes into account both income and capital returns.
<b>Tracking error</b>	A measure, expressed as a percentage, of how closely a portfolio follows an index over a period of time.
<b>Treasury shares</b>	A company's own shares which are available to be sold by it to raise funds.
<b>Value at risk</b>	A statistical technique used to measure and quantify the level of financial risk within a portfolio over a specific time frame.
<b>Volatility</b>	A measure of how much a share moves up and down in price over a period of time.

# Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH at 12 noon on 12 April 2022 for the purpose of considering and, if thought fit, passing the following resolutions:

## Ordinary Resolutions

1. To receive and adopt the financial statements for the year ended 31 October 2021, with the reports of the Directors and auditor thereon.
2. To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) included in the Annual Report for the year ended 31 October 2021.
3. To approve the increase of ordinary remuneration of the Directors to an aggregate limit of £250,000 per annum, in accordance with Article 27.1 of the Company's Articles of Incorporation.
4. To elect Ms Gilding as a Director of the Company.
5. To elect Ms MacAulay as a Director of the Company.
6. To re-elect Mr Hadsley-Chaplin as a Director of the Company.
7. To re-elect Mrs Green as a Director of the Company.
8. To re-elect Ms de Rochechouart as a Director of the Company.
9. To re-appoint KPMG Channel Islands Limited as auditor of the Company to hold office until the conclusion of the next AGM of the Company at which audited accounts are laid before the Company.
10. To authorise the Directors to determine the remuneration of the auditor for the year ended 31 October 2022.
11. THAT the Company be and is hereby authorised in accordance with section 315 of the Companies (Guernsey) Law, 2008 to make market purchases (within the meaning of section 316 of the Companies (Guernsey) Law, 2008 of its shares, provided that:
  - a) the maximum number of Ordinary shares hereby authorised to be acquired is 14.99% of the issued Ordinary share capital of the Company (excluding treasury shares) as at the date of this AGM;
  - b) the minimum price (exclusive of expenses) which may be paid for a share is £0.01;
  - c) the maximum price to be paid per share shall be the higher of: (a) 105% of the average of the closing market value of the shares for the five business days immediately preceding the date of the relevant purchase; (b) the price of the last independent trade; and (c) the highest current independent bid on the trading venues where the purchase is carried out;
  - d) the authority hereby conferred shall expire at the earlier of the conclusion of the AGM of the Company to be held in 2023 and the date being 18 months from the date of this resolution, unless previously renewed, varied or revoked by the Company in general meeting; and
  - e) the Company may make a contract to purchase its shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its shares in pursuance of any such contract

### Special Resolution

12. THAT the directors of the Company be authorised to allot and issue up to 2,329,788 shares (or, if less, the number of shares representing 5% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution) without regard to any and all rights of pre-emption or similar rights, whether under the Articles of Incorporation of the Company (including, without limitation, Article 6.2(a)) or otherwise. This authority shall be in addition to the authority conferred by Resolution 4 at the extraordinary general meeting of the Company on 26 October 2021 and shall expire at the conclusion of the AGM in 2023.

By order of the Board  
Vistra Fund Services (Guernsey) Limited (in the capacity as Company Secretary)

**Registered Office:**

11 New Street  
St Peter Port  
Guernsey GY1 2PF

24 February 2022

## Notice of Annual General Meeting Continued

### Notes:

1. A shareholder entitled to attend and vote may appoint a proxy to attend, speak and vote instead of him/her. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder. A proxy need not be a shareholder of the Company.
2. To appoint more than one proxy to vote in relation to different shares within your holding you may photocopy the Form of Proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and should be returned together in the same envelope.
3. Forms of Proxy duly completed, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's registrar, Link Asset Services at PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, not later than 12 noon on 8 April 2022 or not less than 48 hours (excluding non-working days) before the time appointed for the holding of any adjourned AGM or, in the case of a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of a poll, or in the case of a poll taken not more than 48 hours after it was demanded, the time at which the poll was demanded.
4. A Form of Proxy is included for use by shareholders to complete, sign and return. Completion and return of the Form of Proxy will not prevent a shareholder from subsequently attending the AGM or any adjournments and voting in person if he/she so wishes.
5. Entitlement to attend and vote at the AGM (or any adjournment thereof) and the number of votes which may be cast thereat will be determined by reference to the Company's register of shareholders as at close of business on 8 April 2022.
6. To allow effective continuation of the meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, the Chairman may appoint a substitute to act as proxy in his stead for any shareholder provided that such substitute proxy shall vote on the same basis as the Chairman.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (CREST ID is RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is liable to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take, (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor's or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST systems and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
11. Given the evolving nature of the Covid-19 pandemic, should circumstances change significantly before the time of the AGM, the Company will notify shareholders of any changes to the arrangements by updating the Company's website at [abrdnchina.co.uk](http://abrdnchina.co.uk) and through an RIS announcement, where appropriate, as early as is possible before the date of the meeting. Shareholders should note that if law or Government guidance so requires at the time of the meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the meeting and may be required to impose entry restrictions on certain persons wishing to attend the meeting in order to ensure the safety of those attending the meeting and to satisfy any requirements mandated by the venue managers.

# Form of Proxy

## abr dn China Investment Company Limited

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

\_\_\_\_\_ of \_\_\_\_\_  
as my/our proxy to attend and vote for me/us and on my/our behalf at the AGM of the Company to be held at Bow Bells House,  
1 Bread Street, London EC4M 9HH on 12 April 2022 at 12 noon and at any adjournment thereof.

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

Resolution	For	Against	Withheld
1. To receive and adopt the financial statements for the year ended 31 October 2021, with the reports of the Directors and auditor thereon.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 October 2021.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the increase of ordinary remuneration of the Directors to an aggregate limit of £250,000 per annum.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Ms Gilding as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Ms MacAulay as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr Hadsley-Chaplin as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Mrs Green as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-elect Ms de Rochechouart as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint KPMG Channel Islands Limited as auditor to the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Directors to determine the remuneration of the auditor for the forthcoming financial year.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. To give the Company the authority to purchase its own shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. To give the Company the authority to allot new shares without regard to any and all rights of pre-emption or similar rights.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Signature \_\_\_\_\_ Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

## Form of Proxy Continued

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### Notes

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

Your completed and signed Form of Proxy should be posted, in the enclosed reply paid envelope, to the Company’s Registrars, Link Asset Services, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, so as to arrive before 12 noon on 8 April 2022.

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# Company Information

## Directors

Mark Hadsley-Chaplin (Chairman)  
 William Collins  
 Anne Gilding (appointed on 9 November 2021)  
 Helen Green (Senior Independent Director)  
 Sarah MacAulay (appointed on 9 November 2021)  
 Eleonore de Rochechouart

## Registered Office

11 New Street  
 St Peter Port  
 Guernsey GY1 2PF

## Company Secretary and Administrator

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

## Alternative Investment Fund Manager

Aberdeen Standard Fund Managers Limited  
 Bow Bells House  
 1 Bread Street  
 London EC4M 9HH

## Investment Manager

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

## abr dn Customer Services Department, Investment Plan for Children, Share Plan and ISA Enquiries

abr dn Investment Trusts  
 PO Box 11020  
 Chelmsford  
 Essex CM99 2DB

Freephone: **0808 500 0040**

(open Monday to Friday, 9.00 a.m. – 5.00 p.m., excluding public holidays in England and Wales)

Email: [inv.trusts@abrdn.com](mailto:inv.trusts@abrdn.com)

## Company Registration Number

Incorporated in Guernsey Number 50900

## Website

[abrdnchina.co.uk](http://abrdnchina.co.uk)

## UK Administration Agent

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

## Registrars

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

## Depository Services and Custodian

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

## Financial Adviser and Joint Corporate broker

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

## Joint Corporate broker

Numis Securities Limited  
 45 Gresham Street  
 London EC2V 7BF

## Advisers as to Guernsey law

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

## Independent Auditor

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

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

WLL8YJ.99999.SL.831

## Legal Entity Identifier ("LEI")

213800RIA1NX8DP4P938



 **abrdn**



abrdn Investment Trusts



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