**ABERDEEN STANDARD ASIA FOCUS PLC**
Legal Entity Identifier (LEI): 5493000FBZP1J92OQY70

**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 JULY 2021**

**STRATEGIC REPORT – COMPANY SUMMARY AND FINANCIAL HIGHLIGHTS**

**Financial Highlights**

| Net asset value total return (diluted){AB} | MSCI AC Asia Pacific ex Japan Index total return{C} | MSCI AC Asia Pacific ex Japan Small Cap Index total return{C} |
|---|---|---|
| **2021: +41.9%** | **2021: +14.1%** | **2021: +37.2%** |
| 2020: -13.6% | 2020: +1.9% | 2020: -2.5% |
| **Share price total return{A}** | **Discount to net asset value{AB}** | **Dividends per Ordinary share{D}** |
| **2021: +38.2%** | **2021: 13.9%** | **2021: 6.00p** |
| 2020: -13.2% | 2020: 11.4% | 2020: 19.00p |

{A} Alternative Performance Measure (see below for definition).

{B} Presented on a diluted basis as the Convertible Unsecured Loan Stock ("CULS") is "in the money" (2020 not "in the money" so basic net asset value used).

{C} Currency adjusted, capital gains basis.

{D} Dividends are subject to shareholder approval at the Annual General Meeting.

**STRATEGIC REPORT – CHAIRMAN'S STATEMENT**

**Results**

I am very pleased to not only announce the annual results for the year ended 31 July 2021 but also to announce a series of changes that follow from a comprehensive strategic review, that the Board has undertaken during the last 12 months.

In large part thanks to the work of Hugh Young, and his team in Singapore, this Company has achieved, since it was founded in 1995, an outstanding result for shareholders, delivering some of the best returns available from funds quoted on the London Stock Exchange. The purpose of the review and the introduction of new talent to the abrdn team, outlined in more detail below, is to put the Company in a position whereby it can repeat the success of the last quarter century in the next; to turn £1,000 invested in 1995 into £22,500 today (share price at close on 26 November 2021 with dividends reinvested).

The Board has also proposed a number of changes including a reduction in the management fee to significantly reduce the running costs of the Company, an increase in the dividend target for the current financial year and the introduction of a performance based tender offer in five years.

**Year Under Review**

The past year and more has been an unprecedented time, with the world as a whole having to deal with the shape-shifting Covid-19 virus. And yet, stock markets have continued to mark new highs, even as the pandemic upended everyday routines and threw supply chains into disarray. Stock investors found themselves in a sweet spot, as the largesse of governments and support of central banks not only helped fuel a nascent recovery in the global economy, but also pumped ample liquidity into asset prices.

Asia, the first region to emerge from the depths of the pandemic, was also among the first to mull over monetary policy tightening, especially in markets such as China and South Korea. While regulatory fears in China hit the share prices of a variety of major oligopolistic companies hard, small cap stocks were far less affected. As a result, the MSCI Asia Pacific ex-Japan Small Cap Index, outpaced its large-cap counterpart, rebounding 37.2% over the year under review. With such a strong performance it is pleasing, therefore, to report that your Company's net asset value ("NAV") outperformed that Index during the year, rising by 41.9% on a total return basis. The Company's share price also outperformed the Index, despite the discount widening slightly (from 11.4% to 13.9%), rising by 38.2% on a total return basis.

This theme of much-improved performance also means that, over three years to 31 July 2021, the Company's performance, in share price and NAV terms, is broadly in line with the MSCI Asia Pacific ex-Japan Small Cap Index and comfortably ahead of the MSCI AC Asia Pacific ex-Japan Index. Strong outperformance has been compounded for our loyal long term shareholders who have enjoyed NAV returns over ten years and since inception of 161% and 2,160% respectively, compared to 116% and 487% for the MSCI Asia Pacific ex-Japan Index and 94% over ten years (figures since the Company's inception not available) for the MSCI Asia Pacific ex-Japan Small Cap Index.

**Market Overview**

In the reporting period, liquidity and sentiment have continued to underpin equity markets. Governments and central banks unleashed their arsenals to counter the dampening effects of lockdowns, ranging from direct cash transfers to interest rate cuts and asset purchases. With social-distancing measures stifling both consumer spending and businesses, a surfeit of money found its way into financial markets, lifting asset prices. In the summer, with the virus seemingly under control, regional economies reopened and demand returned. But as supply chains ran into bottlenecks, arising largely from mobility restrictions on labour, prices rose across products like smartphones and cars. This boosted companies' bottom lines which, in turn, added to the market euphoria. Subsequently, fresh waves of outbreaks that resulted in localised lockdowns in various countries only slightly tempered investor optimism, as consumers and businesses adapted better to the challenging conditions.

Nowhere was this more apparent than China, one of Asia's two economic giants. It was "first in, first out" of the pandemic for the world's most populous nation, after an aggressive countrywide lockdown in the initial months of 2020. Its economy had mostly bounced back to normal by mid-2020. But by then, Beijing had also decided to set a new policy course, one that would evoke growing consternation among investors. As I intimated in the Half-Yearly Report, Beijing was pivoting from its focus on industry upgrading to spurring consumption through fairer wealth distribution. In the past 12 months, policymakers strengthened their focus on this goal, introducing a raft of reforms across various sectors, from internet and e-commerce, to private tutoring and healthcare. Whilst such measures caused a retreat in the broad stock market indices due to the sheer size of some of the companies involved, the situation proved fortuitous for your Manager, who identified bargains in downtrodden quality names and added to your Company's exposure. The spirit of private enterprise remains strong in China, which after all is the world's second-largest economy. Now boasting a highly developed infrastructure, a well-educated workforce and cutting edge technology, China still presents a great opportunity for the diligent stock picker and your Manager is keen to add more Chinese exposure to your Company's holdings as the opportunity presents itself.

In neighbouring India, the other Asian behemoth that makes up the largest part of the portfolio, stocks jumped nearly 80% in spite of very real challenges, including fresh waves of Covid-19 outbreaks. A fruitful monsoon in late 2020, which supported rural spending, along with a pro-growth Budget in early 2021 lifted stock prices. Even when the country slipped into the death-grip of the pandemic's second wave in April, markets stayed resilient, with investors looking past the immediate crisis on hopes of a quick rebound. Also underpinning share prices were surprisingly good corporate earnings growth, as well as New Delhi's preference to leave mobility restrictions to the discretion of states rather than a one-size-fits-all approach. Meanwhile, a rich seam of initial public offerings allowed your Manager to subscribe to a couple of high quality names that raised the Company's exposure to new-economy growth stocks. Overall, the portfolio has a broad exposure to key sectors, from new-economy software firms to more traditional ones, such as energy and real estate, all of which stand to benefit from the massive domestic market.

Elsewhere, the Company's exposure to Taiwan was a key contributor to the Company's outsized returns. Over the period, your Manager also put more money in the market, bolstering the portfolio's exposures to tech hardware and digital services. Conversely, the Company's gains were capped by poor performance in parts of Southeast Asia, which struggled to contain the coronavirus. As a result, your Manager divested a number of underlying holdings and reduced positions in Thailand and Malaysia, which now have dimmer growth outlooks. A more detailed report of the Company's performance and portfolio changes can be found in the Manager's review.

**Dividend**

As highlighted in last year's Annual Report the Board intends to smooth out the short-term impact of the pandemic on earnings by using revenue reserves where necessary, and is therefore recommending an increased final dividend of 15.0p per share (2020 14.5p) together with a special dividend of 1.0p (2020: 4.5p). The payments will necessitate a small distribution of £2.55m from the Company's brought forward revenue reserves to cover this shortfall in revenue, and following the payment there will be over 24p per share of reserves available for future years' dividends. If approved by shareholders at the Annual General Meeting of the Company on 27 January 2022, both dividends will be paid on 2 February 2022 to shareholders on the register as at 7 January 2022.

The proposed future dividend policy of the Company is outlined below and will apply to the current financial year ending 31 July 2022.

**Gearing and Share Capital Management**

The Company's year-end net gearing was 10.0%. The gearing is provided by the £36.68 million of Convertible Unsecured Loan Stock 2025 ("CULS 2025") together with the new £30 million 15 year Senior Unsecured Loan

Note (the "Loan Note"). The new Loan Note was drawn down on 1 December 2020 and used to repay, and cancel in full, the Company's £20 million Revolving Credit Facility with the Royal Bank of Scotland. Under the terms of the Loan Note, an additional £35 million is available for drawdown by the Company for a five-year period. The Board's current intention would be to only draw this down to repay any of the Company's existing CULS 2025, either at their redemption in 2025, or before.

The level of gearing is managed actively by the Investment Manager and at the time of writing total debt amounted to £65.6 million representing net gearing of 10%.

During the year the Company purchased for treasury 1,055,000 Ordinary shares at a discount to the prevailing NAV (exclusive of income). Share buy backs can provide liquidity to the market and reduce the volatility of any discount as well as modestly enhancing the NAV for shareholders.

**Annual General Meeting**
The Board has been considering how best to deal with the continuing risks and impacts of the Covid-19 pandemic on arrangements for the Company's AGM. The Board has decided to hold a functional only AGM on Thursday 27 January 2022 in London at which the usual formal business will be proposed.

In advance of the AGM, in order to provide certainty, whilst encouraging and promoting interaction and engagement with our shareholders, the Board has decided to hold an interactive Online Shareholder Presentation which will be held at 11:00 a.m. on Wednesday 19 January 2022. At the presentation, shareholders will receive updates from the Chairman and Manager and there will be the opportunity for an interactive question and answer session. Following the online presentation, shareholders will still have time to submit their proxy votes prior to the AGM and I would encourage all shareholders to lodge their votes in advance in this manner. Full details on how to how to register for the Online Shareholder Presentation can be found at https://www.workcast.com/register?cpak=5119566346944925 .

A copy of the online presentation, including the detailed presentation from the Manager, along with the AGM results, will be made available to shareholders on the Company's website shortly after the AGM.

Shareholders are encouraged to raise any questions in advance of the AGM by registering for the Online Presentation or alternatively via email at Asia.Focus@abrdn.com. Any questions received will be replied to by either the Manager or Board via the Company Secretary.

We will keep shareholders updated of any changes through the Company's website (asia-focus.co.uk) and announcements to the London Stock Exchange. We trust that shareholders will be understanding of this approach. The Board strongly encourages all shareholders to exercise their votes in respect of the meeting in advance 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 in the event that physical attendance at the AGM is not possible or restricted.

In addition to the usual ordinary business being proposed at the AGM, as special business the Board is seeking to renew the authority to issue new shares and sell treasury shares for cash at a premium without pre-emption rules applying and to renew the authority to buy back shares and either hold them in treasury for future resale (at a premium to the prevailing NAV per share) or cancel them.

**Directorate**
As previously advised, Martin Gilbert retired from the Board on 27 November 2020 and Philip Yea retired from the Board at the AGM on 1 December 2020. On behalf of the Board I would like to reiterate our thanks for their dedication and service to the Company. Following the AGM, Debby Guthrie became Audit Committee Chair.

As part of its on-going succession planning, the Board intends to undertake a search for two further independent non-executive Directors shortly. I do not intend to stand for election beyond this year and therefore the Company will be announcing my successor during the course of 2022.

**The Future**
In the last twelve months, the Board has conducted a comprehensive review of the Company's long-term strategy to ensure that the investment policy captures the immense opportunities that exist in the Asian small cap market. This applies to both South Asia but also North Asia with the emergence of China as the world's second largest economy and fast expanding stock markets to match.

As part of the review, the Board also addressed the issue of how to give shareholders and, in particular, retail investors a more meaningful participation in the Company's ongoing success. The Board believes that the measures proposed below will assist in the marketability of the Company's shares thus increasing the potential to narrow the discount to NAV, which has been a long standing ambition of the Company.

During the course of the review the Board has consulted with abrdn, external specialists in the Asian markets and the Company's major shareholders.

As a result of this, the Board intends to propose the following changes to the Company.

- Amend the investment policy to allow more flexibility to invest in growing small companies across Asia;
- Strengthen the management team by adding Flavia Cheong, Head of Equities, Asia as joint lead manager with Hugh Young. The investment management team will be bolstered to reflect the increasing importance of North Asia including China;
- Increase the target dividend by 100% to 32.0p for the financial year ending 31 July 2022, payable quarterly and thereafter maintain the progressive dividend policy of the last 25 years
- Reduce the running costs of the Company. abrdn have agreed to an amended, tiered, management fee, still payable on market capitalisation. The tiers are 0.85% for the first £250m, 0.6% for the next £500m and 0.5% for market capitalisation of £750m and above. It was previously set at 0.96% of market capitalisation;
- Increase marketability of the shares for small investors by introducing a five for one share split; and
- Introduce a performance-linked tender offer, which would be triggered in the event of underperformance of the NAV per share versus the MSCI AC Asia ex-Japan Small Cap Index over a five-year period commencing 1 August 2021.

We have also made an announcement to the stock market contemporaneously with the announcement of these results. These changes are subject to regulatory and shareholder approvals.

It is currently envisaged that the circular and notice of General Meeting setting out further details of these proposed changes will be sent to shareholders in December 2021 along with the Annual Report and notice of the Annual General Meeting, to seek necessary shareholder approvals to implement these proposals. The webinar presentation for shareholders on 19 January 2022 will provide further details on this future strategy and shareholders will have an opportunity to put questions to the Board and Manager. The General Meeting to approve the proposals is expected to be convened on 27 January 2022, following the Annual General Meeting.

**Changes to Investment Policy**

The Company will continue to focus on offering investors exposure to attractive small, quoted companies in Asia that have excellent prospects for strong growth in shareholder value, good balance sheets and skilled, experienced management. As has been demonstrated over the last 26 years where £1,000 invested in 1995 is now worth approximately £22,500 (share price at close on 26 November 2021 with dividends reinvested) with the dividends (including special dividends) to shareholders going from 1.2p in 1996 to 16.0p in 2021. The Board and abrdn believe that this area of the market will continue to deliver strong growth over the medium to long term.

Over the same period, the stock markets of the region have developed from small emerging markets to some of the largest in the world. Therefore, the Board believes it is necessary to make changes to the Company's investment objective and policy to ensure abrdn can continue to invest in companies that can deliver the best returns for shareholders and despite the enormous difference in the relative size of the Asian markets. The definition of a small cap company varies from market to market with China and India at one end of the scale and very small markets such as Sri Lanka at the other end.

The Company's current investment objective limits investment into companies that have a market capitalisation of up to approximately US$1.5 billion. The Board strongly believes this is limiting the portfolio managers from investing in the high growth companies particularly in larger markets like China and India. As a result, the Board proposes to remove this market capitalisation limit from the investment policy while stressing that the investment managers will continue to identify small companies capable of delivering exceptional growth.

Historically, the Company has had limited investments in Australasia and the Board does not believe the outlook for this region will offer the same growth prospects as other parts of Asia. Therefore, the Board proposes to amend the investment policy to clarify that no new investments will be made in Australasia. The Company currently has three holdings in Australasia and the Manager does not intend to dispose of these should shareholders approve the change in investment policy.

Full details of the changes to the investment objective and investment policy are subject to FCA and shareholder approval.

**abrdn Investment Team**

The Board is delighted to announce that Flavia Cheong, abrdn's Head of Equities – Asia, will be joining the management team of the Company, as joint lead manager alongside Hugh Young and Gabriel Sacks. Neil Sun will also join the team, and will be directly responsible for managing the potential increased weighting in North Asia.

Flavia Cheong is the Head of Asia Pacific Equities at abrdn, where, as well as sharing responsibility for company research, she oversees regional portfolio construction. Before joining abrdn in 1996, she was an economist with the Investment Company of the People's Republic of China, and earlier with the Development Bank of Singapore.

Flavia graduated with a BA in Economics and an MA (Hons) in Economics from the University of Auckland. She is a CFA charter holder.

Neil Sun is an Investment Manager within the Asian Equities Team at abrdn. Neil joined the company in 2018. Previously, Neil worked as a Research Analyst at Deutsche Bank covering lithium battery supply chain in Hong Kong. Prior to that, Neil worked for JPMorgan Asset Management as a Research Analyst covering both China and Taiwan equities. Neil graduated with a BBA in Finance from National Taiwan University, and passed level II of the CFA Program.

abrdn continues to build out its presence in Shanghai and Hong Kong, with a team of eight investment professionals expected to grow to ten during 2022, focusing on researching Chinese equities. The Company and the investment team will be able to draw on the knowledge and expertise of these individuals, giving the Company access to Chinese small cap companies. Over time, it is envisaged that they will also take on greater individual responsibility for overseeing the Company's Chinese holdings.

**Future Dividend Policy**

The Company's policy remains to provide long-term capital growth, but the Board is aware that some investors are looking for a regular level of income alongside capital growth, particularly in the current low interest rate environment.

The Board is therefore proposing to increase the level of target dividends paid by the Company through distribution from capital reserves as well as income. Under this new policy, the Board aims to set a target dividend of 32.0p per Ordinary share for the financial year ending 31 July 2022 and progressively to grow it thereafter. This would represent a 100% increase in the dividend based on 16.0p recommended in the financial year ended 31 July 2021. This target dividend would be paid in equal quarterly instalments.

Assuming that the changes are approved at the General Meeting on 27 January 2022, the Company intends to declare in February 2022 an initial target dividend of 16.0p per Ordinary share relating to the six month period from 1 August 2021 to 31 January 2022 and thereafter 8.0p per Ordinary share per quarter. In the current year, we estimate that this level of dividend would require a 5.0p per Ordinary share (£1.6m) distribution from capital reserves.

As previously stated, our dividend record is very strong with the Ordinary dividend having been maintained or increased in 24 out of 25 years. This one-time step change will mean that in future it is unlikely we will be paying special dividends but absent a market collapse, we will aim to maintain our progressive approach albeit off a higher base.

I would like to emphasise that the Board has no desire to change how the portfolio Manager selects stocks for the portfolio.

**Management Fees**

The Company currently pays a management fee at the rate of 0.96% per annum of the Company's market capitalisation. Following discussions with abrdn, the Board is pleased to announce a new, tiered management fee, still based on market capitalisation. The tiers are 0.85% of the first £250m, 0.6% of the next £500m and 0.5% of £750m and above. This represents a fee of 0.74% based on the Company's last closing share price of 1465.0p and is a reduction of 23% in the management fee. This change will be conditional on shareholder approval of the proposals outlined above and will be back dated as if it had been effective from 1 August 2021.

**Share Split**

The Board is proposing to implement a sub-division of the Company's share capital. This is intended to improve the liquidity of the Company's shares and enhance the ability of investors to make more efficient regular monthly investments.

The Directors are recommending a five for one share split which will increase the number of Ordinary shares in issue by a factor of five.

The Conversion Price of the 2.25 per cent. convertible unsecured loan stock 2025 (the "CULS") will be automatically and pro-rata adjusted should shareholders approve the share split.

**Introduction of Tender Offer**

The Board is proposing the introduction of a performance linked tender offer. If the Company's NAV total return is less than that of the MSCI AC Asia ex-Japan Small Cap Index over a five-year assessment period (commencing 1 August 2021), shareholders should be offered the opportunity to realise a proportion of their holding for cash at a level close to NAV less costs of the tender offer. The tender offer would be capped at a maximum of 25% of the issued share capital of the Company at that time.

**Outlook**

The excellent performance over both the long and short term, the reduction in the running costs of the Company, the structural increase in the dividend, a possible tender offer in five years in the event the performance of the Company were to falter (though we believe the strong economic prospects in Asia make this unlikely), succession planning and the increasing breadth of management expertise being brought to the abrdn management team all form the basis of optimism.

The maturing of the stock markets in China over the last ten years opens up another fertile field for managers to identify small growing companies capable of delivering exceptional returns particularly when combined with the rigorous abrdn investment process that has served the Company so well in the past. As Hugh Young has cited in today's announcement to the Stock Exchange, he remains as excited by the opportunities in Asia as he did when he first arrived in Singapore 30 years ago and believes that the changes announced today will strengthen both the investment proposition and underpin the future prospects of the Company.

The results since the year end bear this out. In this period since 31 July 2021, the NAV per share has advanced another 8.3% to £1683.3p - a far cry from the 97p per share achieved on listing in 1995. Against this background, your Board has every confidence in the future of your company.

**Nigel Cayzer,**
**Chairman**
29 November 2021

## STRATEGIC REPORT – OVERVIEW OF STRATEGY

### Business Model
The business of the Company is that of an investment company which seeks to qualify as an investment trust for UK capital gains tax purposes.

### Investment Objective*
The Company aims to maximise total return to shareholders over the long term from a portfolio made up predominantly of smaller quoted companies (with a market capitalisation of up to approximately US$1.5 billion at the time of investment which was raised to this level on 23 May 2018 from the previous ceiling of US$1bn) in the economies of Asia and Australasia excluding Japan, by following the investment policy described below. When it is in shareholders' interests to do so, the Company reserves the right to participate in the rights issue of an investee company notwithstanding that the market capitalisation of that investee may exceed the stated ceiling. The Directors envisage no change in this activity in the foreseeable future.

### Investment Policy*
The Company's assets may be invested in a diversified portfolio of securities (including equity shares, preference shares, convertible securities, warrants and other equity-related securities) predominantly in quoted smaller companies spread across a range of industries and economies in the investment region including Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Korea, Laos, Malaysia, Myanmar, New Zealand, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam, together with such other economies in Asia as the Directors may from time to time determine, (collectively, the ''Investment Region''). Investments may also be made through collective investment schemes, in unquoted equities (up to 10% of the net assets of the Company, calculated at the time of investment) and in companies traded on stock markets outside the Investment Region provided that over 75% of their consolidated revenue, operating income or pre-tax profit is earned from trading in the Investment Region or they hold more than 75% of their consolidated net assets in the Investment Region.

### Risk Diversification
The Company does not invest more than 15% of its gross assets at the time of investment either in other listed investment companies (including listed investment trusts), or in the shares of any one company. The Manager is authorised to invest up to 15% of the Company's gross assets in any single stock.

### Gearing
The Board is responsible for determining the gearing strategy for the Company. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. Gearing is subject to a maximum gearing level of up to 25% of adjusted NAV at the time of draw down.

### Delivering the Investment Policy
The Directors are responsible for determining the investment policy and the investment objective of the Company. Day to day management of the Company's assets has been delegated, via the AIFM, to the Investment Manager, abrdn Asia. abrdn Asia invests in a diversified range of companies throughout the Investment Region in accordance with the investment policy. abrdn Asia follows a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is the major source of added

value. No stock is bought without the fund managers having first met management. abrdn Asia estimates a company's worth in two stages, quality then price. Quality is defined by reference to management, business focus, the balance sheet and corporate governance. Price is calculated by reference to key financial ratios, the market, the peer group and business prospects. Top-down investment factors are secondary in the abrdn Asia's portfolio construction, with diversification rather than formal controls guiding stock and sector weights. Except for the maximum market capitalisation limit, little regard is paid to market capitalisation.

A detailed description of the investment process and risk controls employed by abrdn Asia is disclosed in the published Annual Report and financial statements for the year ended 31 July 2021. A comprehensive analysis of the Company's portfolio is disclosed in the published Annual Report and financial statements for the year ended 31 July 2021 including a description of the ten largest investments, the portfolio investments by value, sector/geographical analysis and currency/market performance. At the year end the Company's portfolio consisted of 64 holdings.

** Shareholders' attention is drawn to the detailed proposed changes to the Objective and Policy in the Chairman's Statement*

**Investment Manager and Alternate Investment Fund Manager**
The Company's Alternative Investment Fund Manager, appointed as required by EU Directive 2011/61/EU, is Aberdeen Standard Fund Managers Limited ("ASFML") which is authorised and regulated by the Financial Conduct Authority. Day to day management of the portfolio is delegated to abrdn Asia Limited ("abrdn Asia", the "Manager" or the "Investment Manager"). ASFML and abrdn Asia are wholly owned subsidiaries of abrdn plc (previously known as Standard Life Aberdeen plc).

**Comparative Indices**
The Company does not have a benchmark. abrdn Asia utilises two general regional indices, the MSCI AC Asia Pacific ex Japan Index (currency adjusted) and the MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted), as well as peer group comparisons for Board reporting. It is likely that performance will diverge, possibly quite dramatically in either direction, from these or any other indices. abrdn Asia seeks to minimise risk by using in depth research and does not see divergence from an index as risk.

**Promoting the Company's Success**
In accordance with corporate governance best practice, the Board is now required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year following the guidelines set out under section 172 (1) of the Companies Act 2006 (the "s172 Statement"). This Statement, from 'Promoting the Success of the Company' to "Long Term Investment", provides an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment.

The purpose of the Company is to act as a vehicle to provide, over time, financial returns to its shareholders. The Company's Investment Objective is disclosed below. The activities of the Company are overseen by the Board of Directors of the Company.

The Board's philosophy is that the Company should operate in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike. The Board reviews the culture and manner in which the Manager operates at its regular meetings and receives regular reporting and feedback from the other key service providers.

Investment trusts, such as the Company, are long-term investment vehicles, with a recommended holding period of five or more years. Typically, investment trusts are externally managed, have no employees, and are overseen by an independent non-executive board of directors. Your Company's Board of Directors sets the investment mandate, monitors the performance of all service providers (including the Manager) and is responsible for reviewing strategy on a regular basis. All this is done with the aim of preserving and, indeed, enhancing shareholder value over the longer term.

**Stakeholders**
The Company's main stakeholders have been identified as its shareholders, the Manager (and Investment Manager), service providers, investee companies and debt providers. More broadly, the environment and community at large are also stakeholders in the Company. The Board is responsible for managing the competing interests of these stakeholders. Ensuring that the Manager delivers out performance for Ordinary shareholders over the longer term without adversely affecting the risk profile of the Company which is known and understood by the loan note holders and CULS holders. This is achieved by ensuring that the Manager stays within the agreed investment policy.

**Shareholders**
The following table describes some of the ways we engage with our shareholders:

| | |
|---|---|
| **AGM** | The AGM normally provides an opportunity for the Directors to engage with shareholders, answer their questions and meet them informally. The next AGM will take place on 27 January 2022 in London. We encourage shareholders to lodge their vote by proxy on all the resolutions put forward. |
| **Annual Report** | We publish a full annual report each year that contains a strategic report, governance section, financial statements and additional information. The report is available online and in paper format. |
| **Company Announcements** | We issue announcements for all substantive news relating to the Company. You can find these announcements on the website. |
| **Results Announcements** | We release a full set of financial results at the half year and full year stage. Updated net asset value figures are announced on a daily basis. |
| **Monthly Factsheets** | The Manager publishes monthly factsheets on the Company's website including commentary on portfolio and market performance. |
| **Website** | Our website contains a range of information on the Company and includes a full monthly portfolio listing of our investments as well as podcasts by the Investment Manager. Details of financial results, the investment process and Investment asia-focus.co.uk |
| **Investor Relations** | The Company subscribes to the Manager's Investor Relations programme (further details are disclosed in the published Annual Report and financial statements for the year ended 31 July 2021). |

**The Manager**
The key service provider for the Company is the Alternative Investment Fund Manager and the performance of the Manager is reviewed in detail at each Board meeting. The Manager's investment process is outlined in the published Annual Report and financial statements for the year ended 31 July 2021. Shareholders are key stakeholders in the Company – they are looking to the Manager to achieve the investment objective over time and to deliver a regular growing income together with some capital growth. The Board is available to meet at least annually with shareholders at the Annual General Meeting and this includes informal meetings with them over lunch following the formal business of the AGM. This is seen as a very useful opportunity to understand the needs and views of the shareholders. In between AGMs, the Directors and Manager also conduct programmes of investor meetings with larger institutional, private wealth and other shareholders to ensure that the Company is meeting their needs. Such regular meetings may take the form of joint presentations with the Investment Manager or meetings directly with a Director where any matters of concern may be raised directly.

**Other Service Providers**
The other key stakeholder group is that of the Company's third party service providers. The Board is responsible for selecting the most appropriate outsourced service providers and monitoring the relationships with these suppliers regularly in order to ensure a constructive working relationship. Our service providers look to the Company to provide them with a clear understanding of the Company's needs in order that those requirements can be delivered efficiently and fairly. The Board, via the Management Engagement Committee, ensures that the arrangements with service providers are reviewed at least annually in detail. The aim is to ensure that contractual arrangements remain in line with best practice, services being offered meet the requirements and needs of the Company and performance is in line with the expectations of the Board, Manager, Investment Manager and other relevant stakeholders. Reviews include those of the Company's depositary and custodian, share registrar, broker and auditors.

**Principal Decisions**
Pursuant to the Board's aim of promoting the long term success of the Company, the following principal decisions have been taken during the year:

**Portfolio** The Investment Manager's Review details the key investment decisions taken during the year and subsequently. The Investment Manager has continued to monitor the investment portfolio throughout the year under the supervision of the Board. A list of the key portfolio changes can be found in the Investment Manager's Report.

**Gearing** The Company utilises gearing in the form of CULS and Loan Notes with the aim of enhancing shareholder returns over the longer term. The Board has adopted a pro-active approach to gearing with the aim of locking in attractive interest rates over the longer term. On 1 December 2020, the Company issued a £30 million 15 year Senior Unsecured Loan Note (the "Loan Note") at an annualised interest rate of 3.05%. The Loan Note is be unsecured, unlisted and denominated in sterling. The Loan Note ranks pari passu with the Company's other unsecured and unsubordinated financial indebtedness. The Loan Note was used to repay the Company's revolving credit facility with the Royal Bank of Scotland.

**Share Buybacks** During the year, the Board has continued to buy back Ordinary shares opportunistically in order to manage the discount by providing liquidity to the market.

**Board Investment Review** During the year the Board has conducted a comprehensive investment review which has culminated in a number of proposals which are explained in detail in the Chairman's Statement.

**Long Term Investment**
The Investment Manager's investment process seeks to outperform over the longer term. The Board has in place the necessary procedures and processes to continue to promote the long term success of the Company. The Board will continue to monitor, evaluate and seek to improve these processes as the Company continues to grow over time, to ensure that the investment proposition is delivered to shareholders and other stakeholders in line with their expectations.

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

| KPI | Description |
|---|---|
| **NAV Return (per share)** | The Board considers the Company's NAV total return figures to be the best indicator of performance over time and is therefore the main indicator of performance used by the Board. The figures for this year and for the past 1, 3, 5, 10 years and since inception are set out in the published Annual Report and financial statements for the year ended 31 July 2021. |
| **Performance against comparative indices** | The Board also measures performance against a combination of two regional indices – the MSCI AC Asia Pacific ex Japan Index (currency adjusted) and the MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted). Graphs showing performance are shown in the published Annual Report and financial statements for the year ended 31 July 2021. At its regular Board meetings the Board also monitors share price performance relative to competitor investment trusts over a range of time periods, taking into consideration the differing investment policies and objectives employed by those companies. |
| **Share price (on a total return basis)** | The Board also monitors the price at which the Company's shares trade relative to the MSCI Asia Pacific ex Japan Index (sterling adjusted) on a total return basis over time. A graph showing the total NAV return and the share price performance against the comparative index is shown in the published Annual Report and financial statements for the year ended 31 July 2021. |
| **Discount/Premium to NAV** | The discount/premium relative to the NAV per share represented by the share price is closely monitored by the Board. The objective is to avoid large fluctuations in the discount relative to similar investment companies investing in the region by the use of share buy backs subject to market conditions. A graph showing the share price premium/(discount) relative to the NAV is also shown in the published Annual Report and financial statements for the year ended 31 July 2021. |
| **Dividend** | The Board's aim is to maintain or increase the Ordinary dividend so that shareholders can rely on a consistent stream of income. Dividends paid over the past 10 years are set out in the published Annual Report and financial statements for the year ended 31 July 2021. |

**Principal Risks and Uncertainties**
There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has undertaken a robust review of the principal risks and uncertainties facing the Company including those that would threaten its business model, future performance, solvency or liquidity. Those principal risks are disclosed in the table below together with a description of the

mitigating actions taken by the Board. The principal risks associated with an investment in the Company's Shares are published monthly on the Company's factsheet or they can be found in the pre-investment disclosure document published by the Manager, both of which are available on the Company's website.

The Board also has a process to consider emerging risks and if any of these are deemed to be significant these risks are categorised, rated and added to the risk matrix. Although the uncertainty surrounding the timing of Brexit has now abated, economic risk for the Company remains, in particular currency volatility may adversely affect the translation rates of future earnings from the portfolio following the expiry of the transitional arrangements in January 2021.

The Board notes that there are a number of contingent risks stemming from the Covid-19 pandemic that may impact the operation of the Company. These include investment risks surrounding the companies in the portfolio such as employee absence, reduced demand, reduced turnover and supply chain breakdowns. The Investment Manager will continue to review carefully the composition of the Company's portfolio and to be pro-active in taking investment decisions where necessary. Operationally, Covid-19 is also affecting the suppliers of services to the Company including the Manager, Investment Manager and other key third parties. To date these services have continued to be supplied seamlessly and the Board will continue to monitor arrangements in the form of periodic updates from the Manager and Investment Manager.

In addition to the risks listed below, the Board is also very conscious of the risks emanating from increased environmental, social and governance challenges. The recent scrutiny by western governments of human rights violations in Xinjiang is an example of the need for continued vigilance regarding the supply chain exposure of investee companies and the fair and humane treatment of workers. Likewise, as climate change pressures mount, the Board continues to monitor, through its Manager, the potential risk that investee companies may fail to keep pace with the appropriate rates of change and adaption.

In all other respects, the Company's principal risks and uncertainties have not changed materially since the date of this Annual Report and are not expected to change materially for the current financial year.

| **Description** | **Mitigating Action** |
|---|---|
| Investment strategy and objectives – the setting of an unattractive strategic proposition to the market and the failure to adapt to changes in investor demand may lead to the Company becoming unattractive to investors, a decreased demand for shares and a widening discount.<br><br>***Risk Unchanged during Year*** | The Board keeps the level of discount at which the Company's shares trade as well as the investment objective and policy under review and in particular holds an annual strategy meeting where the Board reviews updates from the Investment Manager, investor relations reports and the Broker on the market. In particular, the Board is updated at each Board meeting on the make-up of and any movements in the shareholder register. |
| Investment portfolio and investment management: investing outside of the investment restrictions and guidelines set by the Board could result in poor performance and inability to meet the Company's objectives, as well as a weakening discount.<br><br>***Risk Unchanged during Year*** | The Board sets, and monitors, its investment restrictions and guidelines, and receives regular board reports which include performance reporting on the implementation of the investment policy, the investment process and application of the guidelines. The Investment Manager is in attendance at all Board meetings. The Board also monitors the Company's share price relative to the NAV. |
| Financial obligations (Gearing): the requirement for the Company to meet its financial obligations, or increasing the level of gearing, could result in the Company becoming over-geared or unable to take advantage of potential opportunities and result in a loss of value to the Company's shares. It could also result in the Company being unable to meet the interest repayments due on the CULS and Loan Note holders.<br><br>***Risk Unchanged during Year*** | The Board sets a gearing limit and receives regular updates on the actual gearing levels the Company has reached from the Investment Manager together with the assets and liabilities of the Company and reviews these at each Board meeting. In addition, Aberdeen Standard Fund Managers Limited, as alternative investment fund manager, has set an overall leverage limit of 2x on a commitment basis (2.5x on a gross notional basis) and includes updates in its reports to the Board. |

| | |
|---|---|
| Financial and regulatory: the financial risks associated with the portfolio could result in losses to the Company. In addition, failure to comply with relevant regulation (including the Companies Act, the Financial Services and Markets Act, the Alternative Investment Fund Managers Directive, Accounting Standards and the listing rules, disclosure and prospectus rules) may have an impact on the Company.<br><br>***Risk Unchanged during Year*** | The financial risks associated with the Company include market risk, liquidity risk and credit risk, all of which are mitigated by the Investment Manager. Further details of the steps taken to mitigate the financial risks associated with the portfolio are set out in note 19 to the financial statements. The Board relies upon the abrdn Group to ensure the Company's compliance with applicable regulations and from time to time employs external advisors to advise on specific concerns. |
| Operational: the Company is dependent on third parties for the provision of all systems and services (in particular, those of abrdn) and any control failures and gaps in these systems and services could result in a loss or damage to the Company.<br><br>***Risk Unchanged during Year*** | The Board receives reports from the Manager on internal controls and risk management at each board meeting. It receives assurances from all its significant service providers, as well as back to back assurances where activities are themselves sub-delegated to other third party providers with which the Company has no direct contractual relationship. Further details of the internal controls which are in place are set out in the Directors' Report. |
| Investing in unlisted securities: the Company has the ability to invest in unlisted securities, although no such investments have been made to date. Unquoted investments are long-term in nature and they may take a considerable period to be realised. Unquoted investments are less readily realisable than quoted securities. Such investments may therefore carry a higher degree of risk than quoted securities. In valuing investments the Company may rely to a significant extent on the accuracy of financial and other information provided to the Manager as well as the performance of listed peer multiples which may impact unquoted valuations negatively.<br><br>***Risk Unchanged during Year*** | The Board recognises that investing in unlisted securities carries a higher risk/reward profile. Accordingly it seeks to mitigate this risk by limiting investment into such securities to 10% of the Company's net assets (calculated at the time of investment). For the year ended 31 July 2021 no unlisted investments were made. |
| Market and F/X: insufficient oversight or controls over financial risks, including market risk, foreign currency risk, liquidity risk and credit risk could result in a loss to the Company.<br><br>***Risk Unchanged during Year*** | The Manager's risk department reviews investment risk and a review of credit worthiness of counterparties is undertaken by its Counterparty Credit Risk team. The Company does not hedge foreign currency exposure but it may, from time to time, partially mitigate it by borrowing in foreign currencies. |

**Promoting the Company**
The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the value and rating of the Company's shares. The Board believes an effective way to achieve this is through subscription to and participation in the promotional programme run by the Manager on behalf of a number of investment trusts under its management. The Company's financial contribution to the programme is matched by the Manager. The Manager reports quarterly to the Board giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make-up of that register.

The purpose of the programme is both to communicate effectively with existing shareholders and to gain new shareholders with the aim of improving liquidity and enhancing the value and rating of the Company's shares. Communicating the long-term attractions of your Company is key and therefore the Company also supports the Manager's investor relations programme which involves regional roadshows, promotional and public relations campaigns.

**Board Diversity**
The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow the Board to fulfil its obligations. The Board also recognises the benefits and is supportive of the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. However, the Board will continue to ensure that all appointments are made on the

basis of merit against the specification prepared for each appointment and, therefore, the Company does not consider it appropriate to set diversity targets. At 31 July 2021, there were three male Directors and two female Directors on the Board.

**Environmental, Social and Governance ("ESG") Engagement**
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 ESG into the research of each asset class as part of the investment process. ESG investment is about active engagement, with the goal of improving the performance of assets held around the world.

The Investment Manager aims to make the best possible investments for the Company, by understanding the whole picture of the investments – before, during and after an investment is made. That includes understanding the environmental, social and governance risks and opportunities they present – and how these could affect longer-term performance. Environmental, social and governance considerations underpin all investment activities. With 1,000+ investment professionals, the Investment Manager is able to take account of ESG factors in its company research, stock selection and portfolio construction – supported by more than 50 ESG specialists around the world. Please refer to the published Annual Report and financial statements for the year ended 31 July 2021 for further detail on the Investment Manager's ESG policies applicable to the Company.

The Company has no employees as the Board has delegated day to day management and administrative functions to Aberdeen Standard Fund Managers Limited. There are therefore no disclosures to be made in respect of employees. The Company's socially responsible investment policy is outlined above.

Due to the nature of the Company's business, being a company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisors and service providers in the financial services industry, to be low risk in relation to this matter.

The Company has no greenhouse gas emissions to report from the operations of its business, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

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

In assessing the viability of the Company over the review period the Directors have conducted a robust review of the principal risks, focusing upon the following factors:

- The principal risks detailed in the Strategic Report;
- The ongoing relevance of the Company's investment objective in the current environment;
- The demand for the Company's Shares evidenced by the historical level of premium and or discount;
- The level of income generated by the Company;
- The level of gearing and flexibility of the Company's Loan Stock and Loan Notes; and
- The liquidity of the Company's portfolio including the results of stress test analysis performed by the Manager under a wide number of market scenarios.

Accordingly, taking into account the Company's current position, the fact that the Company's investments are mostly liquid and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this Report. In making this assessment, the Board has considered that matters such as significant economic or stock market volatility, a substantial reduction in the liquidity of the portfolio or changes in investor sentiment could have an impact on its assessment of the Company's prospects and viability in the future.

**Future**
The Board's view on the general outlook for the Company can be found in my Chairman's Statement whilst the Investment Manager's views on the outlook for the portfolio are included in the Investment Manager's Review.

**Nigel Cayzer,**
**Chairman**
29 November 2021

## STRATEGIC REPORT – INVESTMENT MANAGER'S REVIEW

### Overview

The share prices of Asian smaller companies rose sharply in sterling terms in the year under review, far outpacing their large-cap counterparts. Small caps continued to advance steadily despite the upheaval wrought by the Covid-19 health crisis. The rally was underpinned by the shift to work-from-home which escalated demand for digital solutions. Investors were also hopeful that the recovery led by China and massive US stimulus would boost the region's exports. All this more than mitigated disappointment over a slow vaccine rollout by several countries.

Leading the frontrunners was India. We were pleasantly surprised by good earnings growth across most sectors. An accommodative monetary policy, fiscal support for the rural economy, as well as the significant spending boost for infrastructure, provided a conducive environment. Also, flexible mobility restrictions during a deadly second wave of the coronavirus softened the blow on its economy.

Elsewhere in the region, South Korea and Taiwan's small caps were propelled by record exports. Technology trends and the resumption of economic activity worldwide, especially in China, boosted demand for their semiconductors, electronics goods, cars and petrochemicals.

### Portfolio Review and Activity

The Company's NAV rose by 41.9% in sterling terms, comfortably outperforming the MSCI AC Asia Pacific ex-Japan Small Cap Index's gain of 37.2%.

Good stock choices in Taiwan and Hong Kong, as well as the off-benchmark positions in Vietnam, accounted for the upbeat performance. By sector, the exposure to retail and technology proved prudent. In particular, the Trust's sizeable positions in niche players with significant technology-related advantages were highly favourable.

The share price of the period's top contributor, **Momo.com**, more than tripled as changing consumer habits continued to support the move to online shopping. The leading Taiwanese business-to-consumer online retail platform also benefitted from its investments in logistics and an expansion in product categories. **Pacific Basin** further boosted the portfolio with absolute share price gains that exceeded Momo.com's. The bulk shipping company based in Hong Kong benefited greatly from rebounding economic activity, higher commodities prices and consequently higher freight prices.

In Vietnam, technology conglomerate **FPT** and real estate developer **Nam Long** supported the portfolio. We view FPT as one of the market's best listed companies, with its exposure to the rising global demand for technology services, particularly from Japan where digital transformation continues to accelerate. This is counterbalanced by its interests in domestic-oriented businesses, such as telecoms, education and retail, which also have good growth outlooks. Meanwhile, **Nam Long** is benefiting from a housing market recovery. We believe its foray into integrated townships, which include providing amenities such as schools and hospitals, will add value to its residential projects.

Another standout was South Korea's **Park Systems**, which manufactures microscopes integral in the production of increasingly minuscule computer chips that enhance computing speed. Park Systems, along with **Hana Microelectronics** are notable for their roles in the semiconductor supply chain with the advent of artificial intelligence, 5G communications networks, electric vehicles and the Internet of Things.

Meanwhile, the Trust's Indian holdings that contributed included technology services provider **Cyient**, consumer marketing technology company **Affle India** as well as oil & gas services company **Aegis Logistics**. **Cyient** was boosted by an improving demand outlook for engineering and technology services, with expectations that it is at the start of a multi-year upgrading cycle. In Affle's case, investors were excited by its ability to crunch vast amounts of data and reach targeted consumers on mobile devices. For **Aegis**, the company's storage and logistics segment benefited from the burgeoning flow of chemicals and fuels across the country. In addition, the government's push for the adoption of cleaner energy has also boosted its liquefied natural gas business.

Conversely, the Trust's positions in the financial sector were hampered by the resurgence of the virus in certain parts of the region, which in turn, clouded the outlook for these lenders' asset quality. We remain confident that our financial holdings are of the highest quality and that they will not be unduly affected. A military coup in Myanmar in early 2021 also came as a surprise and led to a sharp sell-off in the shares of Yoma Strategic. We remain invested and so far the company has announced relatively resilient results, but we will be monitoring developments closely and the exposure is contained at less than 1% of the portfolio.

Turning to changes within the portfolio, we participated in the initial public offerings (IPOs) of two companies in the materials sector. First was surface materials specialist **Nanofilm**, which performed well for your Company. Not only is its proprietary cutting-edge technology used by the latest smartphones, laptops and tablets, but it is also the sole supplier to nine of its top 10 customers, including Apple. We are confident about Nanofilm's long-term prospects, as it embarks on commercialising innovative products, such as corrosion-resistant coatings that enable the hydrogen economy. Next was India-listed niche specialty chemicals company **Tatva Chintan**. Its products are in high demand, helped by favourable policies, especially in the area of emissions control.

Other initiations tied to the accelerated demand for digital services were **Nazara Technologies**, **eCloudvalley**, **Taiwan Union Technology**, **Aspeed** and **Pentamaster**. An example is Nazara Technologies, which is dominant in diversified gaming in India. The company has a growing portfolio of successful titles in eSports, mobile gaming and recreational e-learning for children. The fast-paced competitive gaming industry in India is still in its infancy and we see great potential in the company's gaming and e-learning ecosystems.

In addition, we introduced a couple of new positions with greater environmental and social credentials, including **Medikaloka Hermina**. The company is a leading private hospital chain in Indonesia which meets growing demand for services under the country's new Mandatory Health Insurance Scheme (JKN). It has proven adept at managing the provision of JKN-related services, and has emerged as a leader in this area. We were also on the lookout for companies that would gain from governments' efforts to avert climate change. To this end, we established a position in **KMC**. We expect the global leader in bicycle chains to benefit from higher demand for cleaner modes of transport in developed markets, as well as the growing popularity of electric bicycles.

Elsewhere, we initiated **Credit Bureau Asia** and **Yantai Pet Foods**. Credit Bureau is Singapore's main credit bureau. In Cambodia and Myanmar, it enjoys first-mover advantage as their sole license holder. We believe it is well-positioned to benefit from steady demand for high-quality credit, risk and business data. Yantai Pet Foods is a pet food manufacturer with established credentials and a diversified customer base of global brands. In addition, it is developing its own local brand to tap into China's rising pet ownership and demand for premium products.

Against these, we exited Kansai Nerolac to recycle capital into more nascent opportunities, as the Indian paint company is relatively mature and commanded a demanding valuation. We also sold several companies as our conviction in their investment case waned. They include Kingmaker Footwear, Mustika Ratu, SBS Transit, Eastern Water Resources, AEON Co (Malaysia), Public Financial and CDL Investments.

**Outlook**

The resurgence of coronavirus infections has given rise to caution and is likely to delay economic recovery, particularly in tourism-dependent countries in the region. The Trust's largest exposure is to India, which is seeing the fruits of government reform that attempts to reboot its economy after several years of sluggish growth. Another sizeable allocation is in Taiwan, which remains very well-positioned in the technology supply chain, notwithstanding the spillover impact of the conflict between the US and China. We believe the mainland remains pro-innovation despite the recent tightening of regulatory oversight, and this should continue to support export growth throughout the Asia-Pacific region.

The portfolio provides exposure to high growth sectors that supply hardware, software and platforms for the latest consumer electronics, artificial intelligence and the Internet of Things. It is also positioned in traditional sectors that address the region's increasing urbanisation needs, as well as rising demand for better healthcare and aspirational consumer goods in tandem with Asia's growing affluence. Our focus remains on quality businesses that are well-placed to benefit from these long-term trends that will power the overall growth in the region.

**Hugh Young and Gabriel Sacks**
abrdn Asia Limited
Investment Manager
29 November 2021

## STRATEGIC REPORT - RESULTS

### FINANCIAL HIGHLIGHTS

| | 31/07/2021 | 31/07/2020 | % change |
|---|---|---|---|
| Total assets | £557,183,000 | £405,653,000 | +37.4 |
| Total equity shareholders' funds (net assets) | £487,958,000 | £358,956,000 | +35.9 |
| Net asset value per share (basic) | 1,554.52p | 1,106.45p | +40.5 |
| Net asset value per share (diluted) | 1,545.11p | n/a | |
| Share price (mid market) | 1,330.00p | 980.00p | +35.7 |
| Market capitalisation | £417,483,000 | £317,934,000 | +31.3 |
| Discount to net asset value (basic){A} | 14.4% | 11.4% | |
| Discount to net asset value (diluted){A} | 13.9% | n/a | |

| | | | |
|---|---|---|---|
| MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis) | 878.57 | 786.37 | +11.7 |
| MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted, capital gains basis) | 1,878.91 | 1,399.93 | +34.2 |
| Net gearing{A} | 10.0% | 9.9% | |
| | | | |
| **Dividends and earnings** | | | |
| Total return per share (basic){B} | 461.70p | (182.57)p | |
| Revenue return per share (basic) | 7.52p | 21.45p | -64.9 |
| Dividends per share{C} | 16.00p | 19.00p | -15.8 |
| Dividend cover{A} | 0.47 | 1.13 | |
| Revenue reserves{D} | £12,618,000 | £16,276,000 | -22.5 |
| | | | |
| **Operating costs** | | | |
| Ongoing charges ratio{A} | 1.10% | 1.09% | |

{A} Considered to be an Alternative Performance Measure (see below).

{B} Measures the total earnings for the year divided by the weighted average number of Ordinary shares in issue (see note 9).

{C} The figures for dividends per share reflect the dividends for the year in which they were earned.

{D} Prior to payment of final and special dividends.

## PERFORMANCE (TOTAL RETURN)

| | 1 year % return | 3 year % return | 5 year % return | 10 year % return | Since inception |
|---|---|---|---|---|---|
| Share price{A} | +38.2 | +33.6 | +55.8 | +131.9 | +2040.5 |
| Net asset value per Ordinary share - diluted{AB} | +41.9 | +31.3 | +58.6 | +161.1 | +2159.9 |
| MSCI AC Asia Pacific ex Japan Index (currency adjusted) | +14.1 | +23.0 | +64.1 | +116.1 | +487.6 |
| MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted) | +37.2 | +33.1 | +62.2 | +94.3 | n/a |

{A} Considered to be an Alternative Performance Measure.

{B} 1 year return calculated on a diluted basis as CULS is "in the money". All other returns are calculated on a diluted basis.

Source: abrdn, Morningstar, Lipper & MSCI

## DIVIDENDS

| | Rate | xd date | Record date | Payment date |
|---|---|---|---|---|
| Proposed final 2021 | 15.00p | 6 January 2022 | 7 January 2022 | 2 February 2022 |
| Proposed special 2021 | 1.00p | 6 January 2022 | 7 January 2022 | 2 February 2022 |
| | **16.00p** | | | |
| Final 2020 | 14.50p | 12 November 2020 | 13 November 2020 | 9 December 2020 |
| Special 2020 | 4.50p | 12 November 2020 | 13 November 2020 | 9 December 2020 |
| | **19.00p** | | | |

## TEN YEAR FINANCIAL RECORD

| Year to 31 July | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total revenue (£'000)** | 9,168 | 11,512 | 11,427 | 14,746 | 10,992 | 13,896 | 14,673 | 14,632 | 13,595 | 9,624 |
| **Per share (p)** | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Net revenue return | 13.18 | 13.84 | 11.43 | 18.21 | 9.22 | 19.31 | 19.27 | 21.64 | 21.45 | 7.52 |
| Total return | 68.56 | 275.43 | (31.46) | (50.13) | 165.38 | 172.29 | 36.78 | 78.18 | (182.57) | 461.70 |
| Net ordinary dividends paid/proposed | 9.50 | 10.00 | 10.00 | 10.50 | 10.50 | 12.00 | 13.00 | 14.00 | 14.50 | 15.00 |
| Net special dividends paid/proposed | 3.00 | 3.00 | 3.00 | 4.50 | - | 4.00 | 4.00 | 5.00 | 4.50 | 1.00 |
| **Net asset value per share (p)** | | | | | | | | | | |
| Basic | 746.55 | 1,013.82 | 968.89 | 906.16 | 1,068.92 | 1,235.45 | 1,231.83 | 1,300.56 | 1,106.45 | 1,554.52 |
| Diluted | n/a | 992.81 | 952.52 | 896.31 | 1,042.99 | 1,192.49 | n/a | n/a | n/a | 1,545.11 |
| **Shareholders' funds (£'000)** | 260,994 | 382,932 | 369,118 | 343,967 | 383,735 | 430,105 | 433,706 | 441,010 | 358,956 | 487,958 |

## INVESTMENT PORTFOLIO
## As at 31 July 2021

### Investment Portfolio - Ten Largest Investments

**MOMO.com**

Momo, the largest online retailer in Taiwan, serves as a nice proxy for consumer growth in the country, as it is benefiting from the shift to online from both consumers and vendors.

**Pacific Basin Shipping**

Pacific Basin is a Hong Kong-based dry bulk shipping group with a favourable demand outlook, supported by an improving global economy and reopening prospects.

**Park Systems Corporation**

The Korean company is the leading developer of atomic force microscopes, a nascent technology that could have broad industrial application in sectors such as chip-making and biotechnology. The company's financials are sound, despite significant upfront sales and distribution costs, which provides a solid base for earnings to grow when orders start to roll in.

**Affle India**

A consumer technology business operating a data platform that helps direct digital advertising. It is dominant in India where digitalisation has reached an inflection point. This should support growth for several years.

**Cyient**

The Indian company provides engineering and IT services to clients in developed markets, competing primarily on quality of service and cost of delivery.

**Nam Long Invst Corporation**

A reputable Vietnamese developer in Ho Chi Minh City that focuses on the affordable housing segment, with a decent land bank and promising project pipeline.

**Hana Microelectronics (Foreign)**

A Thai company with diversified product lines in IC packaging and microelectronics, proven management ability to manage through cycles, debt-free balance sheet and strong cash flow.

**AEM Holdings**

A Singapore-based provider of advanced semiconductor chip testing services that has embedded itself in chipmaker Intel's global supply chain.

**John Keells Holdings**

A respected and reputable Sri Lanka conglomerate with a healthy balance sheet and good execution, John Keells has a hotels and leisure segment that includes properties in the Maldives. It has other interests in consumer (food and beverages, ice cream, retail and supermarket), transportation (bunkering and container port) and financial services (banking and life insurance).

**Aegis Logistics**

A strong and conservative player in India's gas and liquids logistics sector, with a first mover advantage in key ports and a fair amount of capacity expansion to come.

### Investment Portfolio - Other Investments

**As at 31 July 2021**

| Company | Industry | Country | Valuation 2021 £'000 | Total assets % | Valuation 2020 £'000 |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| MOMO.com | Retailers | Taiwan | 33,767 | 6.1 | 16,146 |
| Pacific Basin Shipping | Industrial Transportation | Hong Kong | 24,170 | 4.3 | 4,476 |
| Park Systems Corporation | Electronic and Electrical Equipment | South Korea | 21,736 | 3.9 | 11,377 |
| Affle India | Software and Computer Services | India | 17,554 | 3.1 | 7,473 |
| Cyient | Software and Computer Services | India | 17,445 | 3.1 | 6,151 |
| Nam Long Invst Corporation | Real Estate Investment and Services | Vietnam | 15,279 | 2.7 | 8,370 |
| Hana Microelectronics (Foreign) | Technology Hardware and Equipment | Thailand | 14,304 | 2.6 | 12,078 |
| AEM Holdings | Technology Hardware and Equipment | Singapore | 14,267 | 2.6 | 14,611 |
| John Keells Holdings | General Industrials | Sri Lanka | 13,941 | 2.5 | 11,972 |
| Aegis Logistics | Industrial Transportation | India | 13,799 | 2.5 | 8,984 |
| **Top ten investments** | | | **186,262** | **33.4** | |
| Bank OCBC NISP | Banks | Indonesia | 13,593 | 2.5 | 13,769 |
| Nanofilm Technologies International | Industrial Materials | Singapore | 13,347 | 2.4 | - |
| FPT Corporation | Telecommunications Service Providers | Vietnam | 12,894 | 2.3 | 5,569 |
| Precision Tsugami China Corporation | Industrial Engineering | China | 12,403 | 2.2 | 8,647 |
| Cebu Holdings | Real Estate Investment and Services | Philippines | 12,069 | 2.2 | 12,271 |
| Dah Sing Financial Holdings | Banks | Hong Kong | 11,709 | 2.1 | 9,256 |
| Medikaloka Hermina | Health Care Providers | Indonesia | 11,704 | 2.1 | - |
| Godrej Agrovet | Food Producers | India | 11,676 | 2.1 | 8,101 |
| M.P. Evans Group | Food Producers | United Kingdom | 11,660 | 2.1 | 9,886 |
| Taiwan Union | Technology Hardware and Equipment | Taiwan | 10,693 | 1.9 | - |
| **Top twenty investments** | | | **308,010** | **55.3** | |
| Millennium & Copthorne Hotels New Zealand{A} | Travel and Leisure | New Zealand | 10,626 | 1.9 | 8,453 |
| Mega Lifesciences (Foreign) | Pharmaceuticals and Biotechnology | Thailand | 10,578 | 1.9 | 10,539 |
| Sunonwealth Electric Machinery Industry | Technology Hardware and Equipment | Taiwan | 10,423 | 1.9 | 7,425 |
| United International Enterprises | Food Producers | Denmark | 10,157 | 1.8 | 8,187 |
| Asian Terminals | Industrial Transportation | Philippines | 9,852 | 1.8 | 12,315 |
| Sporton International | Technology Hardware and Equipment | Taiwan | 9,619 | 1.7 | 10,030 |
| AKR Corporindo | Oil Gas and Coal | Indonesia | 9,589 | 1.7 | 4,939 |
| Sanofi India | Pharmaceuticals and Biotechnology | India | 9,243 | 1.7 | 9,047 |
| Bukit Sembawang Estates | Real Estate Investment and Services | Singapore | 9,186 | 1.6 | 6,598 |
| Raffles Medical | Health Care Providers | Singapore | 8,979 | 1.6 | 3,160 |
| **Top thirty investments** | | | **406,262** | **72.9** | |
| Oriental Holdings | Retailers | Malaysia | 8,792 | 1.6 | 9,762 |
| Ultrajaya Milk Industry & Trading | Food Producers | Indonesia | 8,525 | 1.5 | 9,894 |
| Koh Young Technology | Electronic and Electrical Equipment | South Korea | 8,347 | 1.5 | 4,798 |
| AEON Credit Service (M) | Finance and Credit Services | Malaysia | 7,553 | 1.4 | 6,099 |
| Absolute Clean Energy (ACE) | Electricity | Thailand | 7,313 | 1.3 | 5,784 |
| NZX | Investment Banking and Brokerage | New Zealand | 6,427 | 1.1 | 4,250 |

| | | | | | |
|---|---|---|---|---|---|
| | Services | | | | |
| Shangri-La Hotels Malaysia | Travel and Leisure | Malaysia | 5,740 | 1.0 | 7,094 |
| Nazara Technologies | Leisure Goods | India | 5,583 | 1.0 | - |
| Aspeed Technology | Technology Hardware and Equipment | Taiwan | 5,543 | 1.0 | - |
| Prestige Estates Projects | Real Estate Investment and Services | India | 5,521 | 1.0 | 2,468 |
| **Top forty investments** | | | **475,606** | **85.3** | |
| Yoma Strategic Holdings | General Industrials | Myanmar | 5,392 | 1.0 | 8,628 |
| Tisco Financial Group (Foreign) | Banks | Thailand | 5,154 | 0.9 | 4,263 |
| Ecloudvalley Digital Technology | Software and Computer Services | Taiwan | 5,142 | 0.9 | - |
| United Plantations | Food Producers | Malaysia | 5,097 | 0.9 | 6,737 |
| Thai Stanley Electric (Foreign) | Automobiles and Parts | Thailand | 4,680 | 0.8 | 7,034 |
| Yantai China Pet Foods (A) | Food Producers | China | 4,619 | 0.8 | - |
| Pentamaster International | Technology Hardware and Equipment | Malaysia | 4,271 | 0.8 | - |
| Douzone Bizon | Software and Computer Services | South Korea | 4,157 | 0.8 | 5,308 |
| Syngene International | Pharmaceuticals and Biotechnology | India | 3,976 | 0.7 | 3,205 |
| Credit Bureau Asia | Industrial Support Services | Singapore | 3,778 | 0.7 | - |
| **Top fifty investments** | | | **521,872** | **93.6** | |
| Convenience Retail Asia | Personal Care Drug and Grocery Stores | Hong Kong | 3,467 | 0.6 | 10,064 |
| KMC Kuei Meng International | Automobiles and Parts | Taiwan | 3,315 | 0.6 | - |
| Ujjivan Financial Services | Finance and Credit Services | India | 3,257 | 0.6 | 6,999 |
| Tatva Chintan Pharma | Chemicals | India | 2,132 | 0.4 | - |
| Manulife Holdings | Non-life Insurance | Malaysia | 1,561 | 0.3 | 1,502 |
| AEON Credit Service (Asia) | Finance and Credit Services | Hong Kong | 1,142 | 0.2 | 4,815 |
| AEON Thana Sinsap Thailand (Foreign) | Finance and Credit Services | Thailand | 1,081 | 0.2 | 4,550 |
| Goodyear Thailand (Foreign) | Automobiles and Parts | Thailand | 995 | 0.2 | 1,079 |
| ORIX Leasing Pakistan | Finance and Credit Services | Pakistan | 927 | 0.2 | 1,063 |
| AEON Stores Hong Kong | Retailers | Hong Kong | 473 | 0.1 | 738 |
| **Top sixty investments** | | | **540,222** | **97.0** | |
| YNH Property | Real Estate Investment and Services | Malaysia | 364 | 0.1 | 514 |
| First Sponsor Group (Warrants 21/03/2029) | Real Estate Investment and Services | Singapore | 303 | 0.0 | - |
| First Sponsor Group (Warrants 30/05/2024) | Real Estate Investment and Services | Singapore | 32 | 0.0 | 39 |
| G3 Exploration | Oil Gas and Coal | China | - | - | 123 |
| **Total investments** | | | **540,921** | **97.1** | |
| **Net current assets** | | | **16,262** | **2.9** | |
| **Total assets{B}** | | | **557,183** | **100.0** | |

{A} Holding includes investment in both common and preference lines.
{B} Total assets less current liabilities.

**DIRECTORS' REPORT EXTRACTS**

The Directors present their Report and the audited financial statements for the year ended 31 July 2021.

**Results and Dividends**
Details of the Company's results and proposed dividends are shown in the Chairman's Statement.

**Investment Trust Status**

The Company (registered in England & Wales No. 03106339) has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 August 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 July 2021 so as to enable it to comply with the ongoing requirements for investment trust status.

**Individual Savings Accounts**

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

**Capital Structure, Buybacks and Issuance**

The Company's capital structure is summarised in note 14 to the financial statements. At 31 July 2021, there were 31,189,684 fully paid Ordinary shares of 25p each (2020 – 32,442,209 Ordinary shares) in issue with a further 10,348,918 Ordinary shares of 25p held in treasury (2020 – 9,293,918 treasury shares). During the year 1,055,000 Ordinary shares were purchased in the market for treasury (2020 – 1,484,256). During the period and up to the date of this report no new Ordinary shares were issued for cash at a premium to the prevailing NAV per share and no shares were sold from or purchased into treasury.

On 14 December 2020, 16,359 units of Convertible Unsecured Loan Stock 2025 were converted into 1,110 new Ordinary shares. On 14 June 2021 20,117 units of Convertible Unsecured Loan Stock 2025 were converted into 1,365 new Ordinary shares. In accordance with the terms of the CULS Issue, the conversion price of the CULS for both conversions was determined at 1465.0 pence nominal of CULS for one Ordinary share.

**Voting Rights**

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary shares carry a right to receive dividends. On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

CULS holders have the right to attend but not vote at general meetings of the Company. A separate resolution of CULS holders would be required to be passed before any modification or compromise of the rights attaching to the CULS can be made.

**Gearing**

On 1 December 2020 the Company issued a £30 million 15 year Senior Unsecured Loan Note (the "Loan Note") at an annualised interest rate of 3.05%. The Loan Note is unsecured, unlisted and denominated in sterling. The Loan Note ranks pari passu with the Company's other unsecured and unsubordinated financial indebtedness. The Company used the proceeds of the Loan Note issue to repay, and cancel in full, the Company's loan facility with RBS and the remainder was invested in the portfolio by the Investment Manager.

**Management Agreement**

The Company has appointed Aberdeen Standard Fund Managers Limited ("ASFML"), a wholly owned subsidiary of abrdn plc, as its alternative investment fund manager. ASFML has been appointed to provide investment management, risk management, administration and company secretarial services and promotional activities to the Company. The Company's portfolio is managed by abrdn Asia Limited (previously known as Aberdeen Standard Investments (Asia) Limited) ("abrdn Asia") by way of a group delegation agreement in place between ASFML and abrdn Asia. In addition, ASFML has sub-delegated administrative and secretarial services to Aberdeen Asset Management PLC and promotional activities to Aberdeen Asset Managers Limited ("AAML").

**Management Fee**

With effect from 1 November 2018, the management fee has been payable monthly in arrears at the rate of 0.08% of the Market Cap (as defined below) per calendar month, exclusive of Value Added Tax where applicable. "Market Cap" for the above is defined as the market capitalisation of the Company, based on the closing Ordinary share price quoted on the London Stock Exchange multiplied by the Ordinary shares in issue (less the number of any Ordinary shares held in Treasury), as determined on the last business day of the applicable calendar month to which the remuneration relates.

With effect from 1 January 2022 the management agreement may be terminated by either the Company or the Manager on the expiry of three months' written notice (reduced from 12 months). On termination, the Manager would be entitled to receive fees which would otherwise have been due to that date.

The Management Engagement Committee reviews the terms of the management agreement on a regular basis and have confirmed that, due to the long-term relative performance, investment skills, experience and commitment of the investment management team, in their opinion the continuing appointment of ASFML and abrdn Asia is in the interests of shareholders as a whole.

**Political and Charitable Donations**
The Company does not make political donations (2020 - nil) and has not made any charitable donations during the year (2020 – nil).

**Risk Management**
Details of the financial risk management policies and objectives relative to the use of financial instruments by the Company are set out in note 19 to the financial statements.

**The Board**
The current Directors, N K Cayzer, Randal Dunluce (Viscount Dunluce), C Black, D Guthrie and K Shanmuganathan, together with M J Gilbert (and his alternate H Young) who retired on 27 November 2020 and P Yea who retired on 1 December 2020, were the only Directors who served during the year. Pursuant to Principle 23 of the AIC's Code of Corporate Governance which recommends that all directors should be subject to annual re-election by shareholders, all the members of the Board will retire at the AGM scheduled for 27 January 2022 and will offer themselves for re-election. Details of each Director's contribution to the long term success of the Company are provided under 'Nomination Committee' below..

The Board considers that there is a balance of skills and experience within the Board relevant to the leadership and direction of the Company and that all the Directors contribute effectively.

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

**The Role of the Chairman**
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 leads the evaluation of the Board and individual Directors, and acts upon the results of the evaluation process by recognising strengths and addressing any weaknesses. The Chairman also engages with major shareholders and ensures that all Directors understand shareholder views.

The Company has not appointed a senior independent director. Accordingly the Audit Committee Chairman in combination with the other independent Directors fulfils the duties of the senior independent director, acting as a sounding board for the Chairman and acting as an intermediary for other directors as applicable. The Audit Committee Chairman is also available to shareholders to discuss any concerns they may have.

**Corporate Governance**
The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company has applied the principles identified in the UK Corporate Governance Code as published in July 2018 (the "UK Code"), which is available on the Financial Reporting Council's (the "FRC") website: frc.org.uk.

The Board has also considered the principles and provisions of the AIC Code of Corporate Governance as published in February 2019 (the "AIC Code"). The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The AIC Code is available on the AIC's website: theaic.co.uk.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC provides more relevant information to shareholders.
The Board confirms that, during the year, the Company complied with the principles and provisions of the AIC Code and the relevant provisions of the UK Code, except as set out below.

1. interaction with the workforce (provisions 2, 5 and 6);
2. the role and responsibility of the chief executive (provisions 9 and 14);
3. previous experience of the chairman of a remuneration committee (provision 32);
4. executive directors' remuneration (provisions 33 and 36 to 40);
5. senior independent director (provision 12); and
6. tenure of the Chairman (provision 19).

For the reasons set out in the AIC Code, and as explained in the UK Corporate Governance Code, the Board considers that provisions 1 to 4 above are not relevant to the position of the Company, being an externally-managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of provisions 1 to 4 above. The tenure of the Chairman is discussed further under 'Policy on Tenure', below. The full text of the Company's Corporate Governance Statement can be found on the Company's website: asia-focus.co.uk.

During the year ended 31 July 2021, the Board had five scheduled meetings. In addition, the Audit Committee met twice and the Management Engagement Committee met once and there has been a number of ad hoc Board meetings to discuss investment strategy. Between meetings the Board maintains regular contact with the Manager. Directors have attended the following scheduled Board meetings and Committee meetings during the year ended 31 July 2021 (with their eligibility to attend the relevant meeting in brackets):

| Director | Board | Audit Com. | Nomination Com. | Management Engagement Com. |
|---|---|---|---|---|
| N Cayzer [A] | 5 (5) | n/a | 3 (3) | 1 (1) |
| C Black | 5 (5) | 2 (2) | 3 (3) | 1 (1) |
| Viscount Dunluce | 5 (5) | 2 (2) | 3 (3) | 1 (1) |
| D Guthrie | 5 (5) | 2 (2) | 3 (3) | 1 (1) |
| K Shanmuganathan | 5 (5) | 2 (2) | 3 (3) | 1 (1) |
| M Gilbert [B] | 1 (1) | n/a | n/a | n/a |
| P Yea [C] | 1 (1) | 1 (1) | 1 (2) | 1 (1) |

[A] Mr Cayzer is not a member of the Audit Committee

[B] Prior to his retirement on 27 November 2020 Mr Gilbert was not a member of the Audit, Nomination or Management Engagement Committees and his Board meeting attendance includes attendance by Mr Young as Alternate Director to Mr Gilbert

[C] Mr Yea retired from the Board on 1 December 2020

**Policy on Tenure - Chairman**

The Company's policy, which is kept under very regular review, is in line with the Listing Rules, the Chairman must remain independent of the Manager and the Company. The independent Directors believe that the independence of the Chairman should be judged by the degree to which the interests of the shareholders and stakeholders as a whole are being served. The Directors note that the Chairman has successfully overseen the affairs of the Company through a number of significant and tumultuous Asian investment cycles and this experience and in-depth knowledge of the Company is extremely beneficial to the Directors, shareholders and all stakeholders alike. The independent Directors, excluding the Chairman, have reviewed the Company's policy on the tenure of the Chairman in the light of the recent changes to the UK Corporate Governance Code. The review focused on the independence of the Chairman from the Manager as well as the Company itself and concluded that, notwithstanding the tenure of the Chairman he remains completely independent. In forming this conclusion the independent Directors were able to draw upon the Chairman's demonstrable track record which includes:

- Overseeing the refreshment of the Board;
- Overseeing the introduction of a revised investment policy in 2018;
- Encouraging the Manager to proactively expand its focus on the smaller company investment universe;
- Successfully negotiating a significant reduction in the level of management fee.

**Policy on Tenure - Directors**

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

**Board Committees**

**Audit Committee**

The Audit Committee Report is on pages 57 to 59 of the published Annual Report and financial statements for the year ended 31 July 2021.

**Nomination Committee**

All appointments to the Board of Directors are considered by the Nomination Committee which comprises all of the Directors. The Board's overriding priority in appointing new Directors to the Board is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board also recognises the benefits of diversity and its policy on diversity is referred to in the Strategic Report.

The Board undertakes an annual evaluation of the Board, Directors, the Chairman and the Audit Committee which is conducted by questionnaires. The 2021 evaluation highlighted certain areas of further focus such as continuing professional development which will be addressed with input where necessary from the Company's advisors. Overall, the Committee has concluded that the Board has an excellent balance of experience, knowledge of investment markets, legal regulation and financial accounting and continues to work in a collegiate and effective manner.

The Nomination Committee has reviewed the contributions of each Director ahead of their proposed election and re-elections at the AGM on 27 January 2022. Notwithstanding that Mr Cayzer has served on the Board for 26 years, the Committee is of the view that Mr Cayzer remains very independent of the Manager. He has continued to Chair meetings in an orderly, open and independent manner allowing sufficient time for key areas of focus whilst allowing all significant matters to be fully debated and has lead the Board's investment review during the year. Ms Black has brought significant financial promotion and marketing expertise to the Board; Ms Guthrie has brought significant investment insight, investment trust expertise and attention to detail to the Board during the year; Viscount Dunluce has brought detailed wealth management investment experience and insight to the Board; and Mr Shanmuganathan has brought deep experience of Asia as well as significant strategic and financial vision to the Board. For the foregoing reasons, the independent members of the Nomination Committee have no hesitation in recommending the election/re-election of each Director who will be submitting themselves for re-election at the AGM on 27 January 2022.

**Management Engagement Committee**
The Management Engagement Committee comprises all of the Directors and with effect from Mr Yea's retirement on 1 December 2020 has been chaired by Ms Guthrie. The Committee reviews the performance of the Investment Manager and its compliance with the terms of the management and secretarial agreement. The terms and conditions of the Investment Manager's appointment, including an evaluation of fees, are reviewed by the Committee on an annual basis. The Committee believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

**Remuneration Committee**
Under the UK Listing Authority rules, where an investment trust has only non-executive directors, the Code principles relating to directors' remuneration do not apply. Accordingly, matters relating to remuneration are dealt with by the full Board, which acts as the Remuneration Committee, and is chaired by Mr Cayzer.

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development. Further information on remuneration is disclosed in the Directors' Remuneration Report.

**Terms of Reference**
The terms of reference of all the Board Committees may be found on the Company's website asia-focus.co.uk and copies are available from the Company Secretary upon request. The terms of reference are reviewed and re-assessed by the Board for their adequacy on an annual basis.

**Going Concern**
In accordance with the Financial Reporting Council's guidance the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's assets consist of equity shares in companies listed on recognised stock exchanges and are considered by the Board to be realisable within a relatively short timescale under normal market conditions. The Board has set overall limits for borrowing and reviews regularly the Company's level of gearing, cash flow projections and compliance with banking covenants. The Board has also reviewed stress testing and liquidity analysis covering the impact of significant historical market events such as the 1997 Asian Crisis and 2008 Global Financial Crisis on the liquidity of the portfolio to ensure that even in significant negative markets the Company would still be able to raise sufficient capital to repay its liabilities.

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report and they believe that the Company has adequate financial resources to continue its operational existence for a period of not less than 12 months from the date of approval of this Annual Report. They have arrived at this conclusion having confirmed that the Company's diversified portfolio of realisable securities is sufficiently liquid and could be used to meet short-term funding requirements were they to arise, including in current market conditions caused by the Covid-19 pandemic. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

**Management of Conflicts of Interest**
The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.
No Director has a service contract with the Company although Directors are issued with letters of appointment upon appointment. The Directors' interests in contractual arrangements with the Company are as shown in note 18

to the financial statements. No other Directors had any interest in contracts with the Company during the period or subsequently.

The Board has adopted appropriate procedures designed to prevent bribery. The Company receives periodic reports from its service providers on the anti-bribery policies of these third parties. It also receives regular compliance reports from the Manager.

The Criminal Finances Act 2017 introduced a new corporate criminal offence of "failing to take reasonable steps to prevent the facilitation of tax evasion". The Board has confirmed that it is the Company's policy to conduct all of its business in an honest and ethical manner. The Board takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country.

**Accountability and Audit**
The respective responsibilities of the Directors and the auditors in connection with the financial statements are set out on pages 56 and 67 of the published Annual Report and financial statements for the year ended 31 July 2021 respectively.

Each Director confirms that:
- so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware; and,
- each Director has taken all the steps that they could reasonably be expected to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Additionally there have been no important events since the year end that impact this Annual Report.

The Directors have reviewed the independent auditors' procedures in connection with the provision of of non-audit services. No non audit services were provided by the independent auditors during the year and the Directors remain satisfied that the auditors' objectivity and independence has been safeguarded.

**Independent Auditors**
At the 2020 AGM shareholders approved the appointment of PricewaterhouseCoopers LLP ("PwC") as independent auditors to the Company with effect from 1 December 2020. PwC has expressed its willingness to continue to be the Company's auditors and a Resolution to re-appoint PwC as the Company's auditors and to authorise the Directors to fix the auditors' remuneration will be put to the forthcoming Annual General Meeting.

**Internal Control**
The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness and confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements. It is regularly reviewed by the Board and accords with the FRC Guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed.

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

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

The significant risks faced by the Company have been identified as being financial; operational; and compliance-related.

The key components of the process designed by the Directors to provide effective internal control are outlined below:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager and Investment Manager as appropriate;
- as a matter of course the Manager's compliance department continually reviews abrdn's operations and reports to the Board on a six monthly basis;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers and, where relevant, ISAE3402 Reports, a global assurance standard for reporting on internal controls for service organisations, or their equivalents are reviewed;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within abrdn, has decided to place reliance on the Manager's systems and internal audit procedures; and
- at its September 2021 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 July 2021 by considering documentation from the Manager, Investment Manager and the Depositary, including the internal audit and compliance functions and taking account of events since 31 July 2021. The results of the assessment, that internal controls are satisfactory, were then reported to the Board at the next Board meeting.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

**Substantial Interests**
The Board has been advised that the following shareholders owned 3% or more of the issued Ordinary share capital of the Company at 31 July 2021:

| Shareholder | No. of Ordinary shares held | % held |
|---|---:|---:|
| City of London Investment Management Company | 6,532,586 | 20.8 |
| Wells Capital Management | 3,089,631 | 9.8 |
| abrdn Savings Scheme (non-beneficial) | 2,573,091 | 8.2 |
| Interactive Investor | 2,504,659 | 8.0 |
| Hargreaves Lansdown | 2,233,499 | 7.1 |
| Funds managed by abrdn | 1,400,258 | 4.5 |
| Charles Stanley | 1,140,042 | 3.6 |

On 1 November 2021 the Company received notice that Wells Capital Management had divested its stake in the Company which represented 10.2% of the issued capital. On 2 November 2021 the Company was notified that Allspring Global Investments Holdings LLC had acquired an interest in 3,253,231 Ordinary shares, representing 10.4% of the issued capital. There have been no other significant changes notified in respect of the above holdings between 31 July 2021 and 29 November 2021.

**The UK Stewardship Code and Proxy Voting**
Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the AIFM which has sub-delegated that authority to the Manager.

The Manager is a tier 1 signatory of the UK Stewardship Code which aims to enhance the quality of engagement by investors with investee companies in order to improve their socially responsible performance.

**Relations with Shareholders**
The Directors place a great deal of importance on communication with shareholders. The Annual Report is widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager's freephone information service and the Company's website asia-focus.co.uk. The Company responds to letters from shareholders on a wide range of issues.

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

The Notice of the Annual General Meeting, included within the Annual Report and Accounts, is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or the Manager, either formally at the Company's Annual General Meeting or, where possible, at the subsequent buffet luncheon for shareholders. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

**Special Business at the Annual General Meeting**

**Directors' Authority to Allot Relevant Securities**

Approval is sought in Resolution 11, an ordinary resolution, to renew the Directors' existing general power to allot securities but will also, provide a further authority (subject to certain limits), to allot shares under a fully pre-emptive rights issue. The effect of Resolution 11 is to authorise the Directors to allot up to a maximum of 20,926,456 shares in total (representing approximately 2/3 of the existing issued capital of the Company, of which a maximum of 10,463,228 shares (approximately 1/3 of the existing issued share capital) may only be applied to fully pre-emptive rights issues. This authority is renewable annually and will expire at the conclusion of the next Annual General Meeting. The Board has no present intention to utilise this authority.

**Disapplication of Pre-emption Rights**

Resolution 12 is a special resolution that seeks to renew the Directors' existing authority until the conclusion of the next Annual General Meeting to make limited allotments of shares for cash of up to 10% of the issued share capital other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders. This authority includes the ability to sell shares that have been held in treasury (if any), having previously been bought back by the Company. The Board has established guidelines for treasury shares and will only consider buying in shares for treasury at a discount to their prevailing NAV and selling them from treasury at or above the then prevailing NAV.

New shares issued in accordance with Resolution 12 and subject to the authority to be conferred by Resolution 11 will always be issued at a premium to the NAV per Ordinary share at the time of issue. The Board will issue new Ordinary shares or sell Ordinary shares from treasury for cash when it is appropriate to do so, in accordance with its current policy. It is therefore possible that the issued share capital of the Company may change between the date of this document and the Annual General Meeting and therefore the authority sought will be in respect of 10% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document.

**Purchase of the Company's Shares**

Resolution 13 is a special resolution proposing to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions contained in the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority. The minimum price to be paid per Ordinary share by the Company will not be less than 25p per share (being the nominal value) and the maximum price should not be more than the higher of (i) 5% above the average of the middle market quotations for the shares for the preceding five business days; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out.

The Directors do not intend to use this authority to purchase the Company's Ordinary shares unless to do so would result in an increase in NAV per share and would be in the interests of shareholders generally. The authority sought will be in respect of 14.99% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document.

The authority being sought in Resolution 13 will expire at the conclusion of the next Annual General Meeting unless it is renewed before that date. Any Ordinary shares purchased in this way will either be cancelled and the number of Ordinary shares will be reduced accordingly or under the authority granted in Resolution 12 above, may be held in treasury. During the year the Company has bought back 1,055,000 Ordinary shares for Treasury.

If Resolutions 11 to 13 are passed then an announcement will be made on the date of the Annual General Meeting which will detail the exact number of Ordinary shares to which each of these authorities relate.

These powers will give the Directors additional flexibility going forward and the Board considers that it will be in the interests of the Company that such powers be available. Such powers will only be implemented when, in the view of the Directors, to do so will be to the benefit of shareholders as a whole.

**Notice of Meetings**

Resolution 14 is a special resolution seeking to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on 14 days' notice. This approval will be effective until the Company's next Annual General Meeting in 2022. In order to utilise this shorter notice period, the Company is required to ensure that shareholders are able to vote electronically at the general meeting called on such short notice. The Directors confirm that, in the event that a general meeting is called, they will give as much notice as practicable and will only utilise the authority granted by Resolution 16 in limited and time sensitive circumstances.

**Recommendation**

Your Board considers Resolutions 11 to 14 to be in the best interests of the Company and its members as a whole and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that shareholders should vote in favour of Resolutions 11 to 14 to be proposed at the AGM, as they intend to do in respect of their own beneficial shareholdings amounting to 9,565 Ordinary shares.

By order of the Board
Aberdeen Asset Management PLC –Secretaries
Bow Bells House, 1 Bread Street
London EC4M 9HH
29 November 2021

**DIRECTORS' REMUNERATION REPORT**
The Board has prepared this report in accordance with the regulations governing the disclosure and approval of Directors' remuneration. This Directors' Remuneration Report comprises three parts:

1. Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently voted on at the AGM on 1 December 2020;
2. Implementation Report which provides information on how the Remuneration Policy has been applied during the year and which is subject to an advisory vote on the level of remuneration paid during the year; and
3. Annual Statement.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in the report on page 66 of the published Annual Report and financial statements for the year ended 31 July 2021.

**Remuneration Policy**
The Directors' Remuneration Policy takes into consideration the principles of UK Corporate Governance and there have been no changes to the policy during the period of this Report nor are there any proposals for the foreseeable future.

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

The Directors are non-executive and the Company's Articles of Association limit the annual aggregate fees payable to the Board of Directors to £225,000 per annum. This cap may be increased by shareholder resolution from time to time and was last increased at the Annual General Meeting held in December 2013.

| | **31 July 2021 £** | **31 July 2020 £** |
|---|---|---|
| Chairman | 35,500 | 35,000 |
| Chairman of Audit Committee | 30,500 | 30,000 |
| Director | 27,500 | 27,000 |

Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective.
**Appointment**
- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £27,500 per annum).
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

**Performance,** Service **Contracts, Compensation and Loss of Office**
- The Directors' remuneration is not subject to any performance-related fee.
- No Director has a service contract.
- No Director has an interest in any contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed upon three months' notice.

- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or to any assets of the Company.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors. Under the Articles, the Company indemnifies each of the Directors out of the assets of the Company against any liability incurred by them as a Director in defending proceedings or in connection with any application to the Court in which relief is granted and separate deeds of indemnity exist in this regard between the Company and each Director.

**Implementation Report**

**Directors' Fees**

During the year the Board carried out its annual review of the level of fees payable to Directors including a review of comparable peer group directors' fees. Following the review it was concluded that the fees should be increased by £500 per Director from 1 January 2021, broadly to reflect the impact of inflation in 2020. The current levels are therefore £35,500, £30,500 and £27,500 for the Chairman, Audit Committee Chairman and other Directors, respectively. The Directors' fees were previously last increased in October 2017. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

**Company Performance**

The following chart illustrates the total shareholder return (including reinvested dividends) for a holding in the Company's shares as compared to the MSCI AC Asia Pacific ex Japan Index (in Sterling terms) for the ten year period to 31 July 2021 (rebased to 100 at 31 July 2011). Given the absence of any meaningful index with which to compare performance, this index is deemed to be the most appropriate one against which to measure the Company's performance.

**Statement of Voting at General Meeting**

At the Company's last Annual General Meeting, held on 4 December 2019, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 July 2019 and the following proxy votes were received on the resolutions:

| Resolution | | For [A] | Against | Withheld |
|---|---|---|---|---|
| (2) | Receive and Adopt Directors' Remuneration Report | 17.4m (99.85%) | 25,912 (0.15%) | 42,981 |
| (3) | To approve the Directors' Remuneration Policy [B] | 17.4m (99.78%) | 37,646 (0.22%) | 44,790 |

[A] Including discretionary votes
[B] Approved at the AGM held on 1 December 2020

**Spend on Pay**

As the Company has no employees, the Board does not consider it appropriate to present a table comparing remuneration paid to Directors with distributions to shareholders. Fees are pro-rated where a change takes place during a financial year.

The total fees paid to Directors are shown below.

**Audited Information**

**Fees Payable**

The Directors who served in the year received the following fixed fees which exclude employers' NI and any VAT payable:

| Director | 2021 £ | 2020 £ |
|---|---|---|
| N K Cayzer (Chairman and highest paid Director) | 35,292 | 35,000 |
| Viscount Dunluce | 27,292 | 27,000 |
| K Shanmuganathan [A] | 27,292 | 4,350 |
| C Black | 27,292 | 27,000 |
| D Guthrie | 29,292 | 27,000 |
| M J Gilbert [B] | - | - |
| P Yea [C] | 10,081 | 30,000 |
| H Fukuda [D] | - | 18,000 |
| Total | 156,541 | 168,350 |

[A] Mr Shanmuganathan was appointed to the Board on 3 June 2020
[B] Prior to his retirement on 27 November 2020 Mr Gilbert had waived his fees
[C] Mr Yea retired from the Board on 1 December 2020
[D] Ms Fukuda retired from the Board on 31 March 2020
No taxable benefits were paid to Directors during the year.

**Annual Percentage Change in Directors' Remuneration**
The table below sets out the annual percentage change in Directors' fees for the past two years.

| Director | 31 July 2021 % | 31 July 2020 % |
|---|---|---|
| N K Cayzer (Chairman and highest paid Director) | 0.8% | 0% |
| Viscount Dunluce | 1.1% | 0% |
| K Shanmuganathan [A] | 84.1% | n/a |
| C Black [B] | 1.1% | +45.7% |
| D Guthrie [B] | 1.1% | +45.7% |

[A] Mr Shanmuganathan was appointed to the Board on 3 June 2020
[B] Ms Black and Ms Guthrie were appointed to the Board on 16 January 2019

**Sums Paid to Third Parties**
None of the fees disclosed above were payable to third parties in respect of making available the services of Directors. Up until his retirement on 27 November 2020, Mr Gilbert had waived his entitlement to receive non executive Director's fees. The amounts paid by the Company to the Directors were for services as non-executive Directors.

**Directors' Interests in the Company**
The Directors are not required to have a shareholding in the Company. The Directors' interests in contractual arrangements with the Company are as shown in note 18 to the financial statements. The Directors (including connected persons) at 31 July 2021, and 31 July 2020, had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the following table.

| | 31 July 2021 [A] Ordinary shares | 31 July 2020 Ordinary shares |
|---|---|---|
| N K Cayzer | - | - |
| Viscount Dunluce | 800 | 800 |
| K Shanmuganathan | 1,054 | 1,054 |
| C Black | 958 | 958 |
| D Guthrie | 4,690 | 4,690 |
| M J Gilbert [A] | 106,250 | 106,250 |
| P Yea [A] | 2,063 | 2,063 |
| H Young (alternate) [A] | 149,535 | 149,535 |

[A] or date of retirement, if earlier

The above interests are unchanged at 29 November 2021, being the nearest practicable date prior to the signing of this Report.

**Annual Statement**
On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year ended 31 July 2021:

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

**Nigel Cayzer,**
**Chairman**
29 November 2021

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and which 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 Act 2006. They are also responsible 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report including Strategic Report, Business Review, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The financial statements are published on asia-focus.co.uk which is a website maintained by the Company's Manager. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors, being the persons responsible, hereby confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- that in the opinion of the Directors, the Annual Report and financial statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy. In reaching this conclusion the Board has assumed that the reader of the Annual Report and financial statements would have a reasonable level of general investment knowledge, and in particular, of investment trusts; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For Aberdeen Standard Asia Focus PLC
**Nigel Cayzer,**
**Chairman**
29 November 2021

## STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 July 2021 | | | Year ended 31 July 2020 | | |
|---|---|---|---|---|---|---|---|
| | | Revenue | Capital | Total | Revenue | Capital | Total |
| | Notes | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gains/(losses) on investments | 10 | - | 148,078 | 148,078 | - | (67,561) | (67,561) |
| Income | 3 | 9,624 | - | 9,624 | 13,595 | - | 13,595 |
| Exchange losses | | - | (425) | (425) | - | (76) | (76) |
| Investment management fees | 4 | (3,570) | - | (3,570) | (3,121) | - | (3,121) |
| Administrative expenses | 5 | (1,386) | - | (1,386) | (1,040) | - | (1,040) |
| **Net return before finance costs and taxation** | | 4,668 | 147,653 | 152,321 | 9,434 | (67,637) | (58,203) |
| Finance costs | 6 | (1,732) | - | (1,732) | (1,539) | - | (1,539) |
| **Net return before taxation** | | 2,936 | 147,653 | 150,589 | 7,895 | (67,637) | (59,742) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Taxation | 7 | (550) | (3,556) | (4,106) | (802) | 158 | (644) |
| **Net return after taxation** | | **2,386** | **144,097** | **146,483** | **7,093** | **(67,479)** | **(60,386)** |
| **Return per share (pence):** | 9 | | | | | | |
| **Basic** | | **7.52** | **454.18** | **461.70** | **21.45** | **(204.02)** | **(182.57)** |
| **Diluted** | | **n/a** | **420.95** | **429.73** | **n/a** | **n/a** | **n/a** |

For the year ended 31 July 2021 the conversion option for potential Ordinary shares within the Convertible Unsecured Loan Stock was non-dilutive to the revenue return per Ordinary share but dilutive to the capital return per Ordinary share.

The total column of this statement represents the profit and loss account of the Company. There is no other comprehensive income and therefore the net return after taxation is also the total comprehensive income for the year.

All revenue and capital items in the above statement derive from continuing operations.

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

## STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 July 2021 £'000 | As at 31 July 2020 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments at fair value through profit or loss | 10 | 540,921 | 394,467 |
| **Current assets** | | | |
| Debtors and prepayments | 11 | 5,107 | 1,541 |
| Cash and short term deposits | | 14,577 | 10,919 |
| | | 19,684 | 12,460 |
| **Creditors: amounts falling due within one year** | | | |
| Bank loans | | - | (11,200) |
| Other creditors | | (3,422) | (1,274) |
| | 12 | (3,422) | (12,474) |
| **Net current assets/(liabilities)** | | 16,262 | (14) |
| **Total assets less current liabilities** | | 557,183 | 394,453 |
| **Non-current liabilities** | | | |
| 2.25% Convertible Unsecured Loan Stock 2025 | 13 | (35,708) | (35,497) |
| 3.05% Senior Unsecured Loan Note 2035 | 13 | (29,886) | - |
| Deferred tax liability on Indian capital gains | 13 | (3,631) | - |
| | | (69,225) | (35,497) |
| **Net assets** | | **487,958** | **358,956** |
| **Capital and reserves** | | | |
| Called-up share capital | 14 | 10,435 | 10,434 |
| Capital redemption reserve | | 2,062 | 2,062 |
| Share premium account | | 60,412 | 60,377 |
| Equity component of 2.25% Convertible Unsecured Loan Stock 2025 | 13 | 1,057 | 1,057 |
| Capital reserve | 15 | 401,374 | 268,750 |
| Revenue reserve | | 12,618 | 16,276 |
| **Equity shareholders' funds** | | **487,958** | **358,956** |

| | | | |
|---|---|---|---|
| **Net asset value per share (pence):** | | | |
| **Basic** | 16 | **1,554.52** | **1,106.45** |
| **Diluted** | 16 | **1,545.11** | **n/a** |

The financial statements were approved by the Board of Directors and authorised for issue on 29 November 2021 and were signed on behalf of the Board by:

**Nigel Cayzer**

Chairman

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

## STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 July 2021**

| | Note | Share capital £'000 | Capital redemption reserve £'000 | Share premium account £'000 | Equity Component CULS 2025 £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 August 2020 | | 10,434 | 2,062 | 60,377 | 1,057 | 268,750 | 16,276 | 358,956 |
| Conversion of 2.25% CULS 2025 | 13 | 1 | - | 35 | - | - | - | 36 |
| Purchase of own shares to treasury | 14 | - | - | - | - | (11,473) | - | (11,473) |
| Return after taxation | | - | - | - | - | 144,097 | 2,386 | 146,483 |
| Dividends paid | 8 | - | - | - | - | - | (6,044) | (6,044) |
| **Balance at 31 July 2021** | | **10,435** | **2,062** | **60,412** | **1,057** | **401,374** | **12,618** | **487,958** |

**For the year ended 31 July 2020**

| | Note | Share capital £'000 | Capital redemption reserve £'000 | Share premium account £'000 | Equity Component CULS 2025 £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 August 2019 | | 10,430 | 2,062 | 60,130 | 1,057 | 351,781 | 15,550 | 441,010 |
| Conversion of 2.25% CULS 2025 | 13 | 4 | - | 247 | - | - | - | 251 |
| Purchase of own shares to treasury | 14 | - | - | - | - | (15,552) | - | (15,552) |
| Return after taxation | | - | - | - | - | (67,479) | 7,093 | (60,386) |
| Dividends paid | 8 | - | - | - | - | - | (6,367) | (6,367) |
| **Balance at 31 July 2020** | | **10,434** | **2,062** | **60,377** | **1,057** | **268,750** | **16,276** | **358,956** |

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

## STATEMENT OF CASHFLOWS

| | Notes | Year ended 31 July 2021 £'000 | Year ended 31 July 2020 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Return before finance costs and tax | | 152,321 | (58,203) |
| Adjustments for: | | | |

| | | | |
|---|---|---|---|
| Dividend income | 3 | (9,620) | (13,572) |
| Interest income | 3 | - | (22) |
| Dividends received | | 9,880 | 13,677 |
| Interest received | | - | 22 |
| Interest paid | | (1,346) | (1,276) |
| (Gains)/losses on investments | 10 | (148,078) | 67,561 |
| Foreign exchange movements | | 425 | 76 |
| Increase in prepayments | | (20) | (3) |
| Decrease/(increase) in other debtors | | 5 | (18) |
| Increase in other creditors | | 113 | 80 |
| Stock dividends included in investment income | | (233) | (261) |
| Overseas withholding tax suffered | 7 | (690) | (974) |
| **Net cash inflow from operating activities** | | 2,757 | 7,087 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of investments | | (81,406) | (67,809) |
| Sales of investments | | 81,562 | 92,454 |
| Capital gains tax rebate on sales | | 101 | 102 |
| **Net cash inflow from investing activities** | | 257 | 24,747 |
| | | | |
| **Cash flows from financing activities** | | | |
| Purchase of own shares to treasury | | (11,570) | (15,529) |
| Drawdown of loan | | - | 18,200 |
| Repayment of loan | 12 | (11,200) | (26,852) |
| Drawdown of 3.05% Senior Unsecured Loan Note 2035 | 13 | 29,882 | - |
| Loan arrangement fees | | - | (30) |
| 2.25% Convertible Unsecured Loan Stock 2025 issue expenses rebate | | - | 65 |
| Equity dividends paid | 8 | (6,043) | (6,367) |
| **Net cash inflow/(outflow) from financing activities** | | 1,069 | (30,513) |
| **Increase in cash and cash equivalents** | | **4,083** | **1,321** |
| | | | |
| **Analysis of changes in cash and cash equivalents** | | | |
| Opening balance | | 10,919 | 10,239 |
| Increase in cash and cash equivalents | | 4,083 | 1,321 |
| Foreign exchange movements | | (425) | (641) |
| **Closing balance** | | **14,577** | **10,919** |

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

1. **Principal activity.** The Company is a closed-end investment company, registered in England & Wales No 03106339, with its Ordinary shares being listed on the London Stock Exchange.

2. **Accounting policies**

   **(a)** **Basis of preparation and going concern.** The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in April 2021. The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted by HMRC.

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances, including in the current market environment, are realisable within a short timescale. The Board has set limits for borrowing and regularly reviews cash flow projections and compliance with banking covenants, including the headroom available. The Company has an unsecured loan note which expires in December 2035. Having taken these factors into account as well as the impact of Covid-19 and having assessed the principal risks and other matters set out in the Viability Statement, the Directors believe that, after making enquiries, the Company has adequate resources to continue in operational existence for the foreseeable future and has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of this Report. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report (unaudited).

**Significant accounting judgements, estimates and assumptions.** The preparation of financial statements requires the use of certain significant accounting judgements, estimates and assumptions which requires management to exercise its judgement in the process of applying the accounting policies and are continually evaluated. Special dividends are assessed and credited to capital or revenue according to their circumstances and are considered to require significant judgement. The Directors do not consider there to be any significant estimates within the financial statements.

**(b)** **Valuation of investments.** The Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de–recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are measured at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value and disposals are included as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.

**(c)** **Borrowings.** Bank loans are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. Subsequently, they are measured at amortised cost using the effective interest method. Finance charges are accounted for on an accruals basis using the effective interest rate method and are charged 100% to revenue.

**(d)** **Income.** Dividends, including taxes deducted at source, are included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are reviewed on a case-by-case basis and may be credited to capital, if circumstances dictate. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time apportioned basis so as to reflect the effective yield on shares. Other returns on non-equity shares are recognised when the right to return is established. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves. Interest receivable on bank balances is dealt with on an accruals basis.

**(e)** **Expenses.** All expenses are accounted for on an accruals basis. Expenses, including management fees and finance costs, are charged 100% through the revenue column of the Statement of Comprehensive Income with the exception of transaction costs incurred on the purchase and disposal of investments which are charged to the capital column of the Statement of Comprehensive Income and are separately identified and disclosed in note 10 within gains/(losses) on investments.

**(f)** **Taxation.** The tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the Statement of Financial Position date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue within the Statement of Comprehensive Income on the same basis as the particular item to which it relates using the Company's effective rate of tax for the year, based on the marginal basis.

**(g)** **Foreign currency.** Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the Statement of Financial Position date. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses on dividends receivable are recognised in the Statement of Comprehensive Income and are reflected in the revenue reserve. Gains and losses on the realisation of investments in foreign currencies and unrealised gains and losses on investments in foreign currencies are recognised in the Statement of Comprehensive Income and are then transferred to the capital reserve.

**(h)** **Convertible Unsecured Loan Stock.** Convertible Unsecured Loan Stock ("CULS") issued by the Company is regarded as a compound instrument, comprising of a liability component and an equity component. At the date of issue, the fair value of the liability component of the 2.25% CULS 2025 was estimated by assuming that an equivalent non-convertible obligation of the Company would have an effective interest rate of 3.063%. The fair value of the equity component, representing the option to convert liability into equity, is derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The liability component is subsequently measured at amortised cost using the effective interest rate and the equity component remains unchanged.

Direct expenses associated with the CULS issue are allocated to the liability and equity components in proportion to the split of the proceeds of the issue. Expenses allocated to the liability component are amortised over the life of the instrument using the effective interest rate.

**(i)** **Cash and cash equivalents.** Cash comprises cash in hand and demand deposits. Cash equivalents includes bank overdrafts repayable on demand and short term, highly liquid investments, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

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

**Capital redemption reserve.** The capital redemption reserve arose when Ordinary shares were redeemed and cancelled, at which point an amount equal to the par value of the Ordinary share capital was transferred from the share capital account to the capital redemption reserve. This is not a distributable reserve.

**Share premium account.** The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 25p. This is not a distributable reserve.

**Capital reserve.** This reserve reflects any gains or losses on investments realised in the period along with any movement in the fair value of investments held that have been recognised in the Statement of Comprehensive Income. These include gains and losses from foreign currency exchange differences arising on monetary assets and liabilities except for dividend income receivable. Share buybacks to be held in treasury, which is considered to be a distribution to shareholders, is also deducted from this reserve.

**Revenue reserve**. This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

**(k)** **Treasury shares.** When the Company purchases the Company's equity share capital as treasury shares, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. When these shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from the capital reserve.

**(l)** **Dividends payable.** Final dividends are recognised in the financial statements in the period in which Shareholders approve them.

**(m)** **Segmental reporting.** The Directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental analysis is provided however an analysis of the geographic exposure of the Company's investments is provided in the published Annual Report and financial statements for the year ended 31 July 2021.

## 3. Income

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Income from investments** | | |
| Overseas dividends | 9,015 | 12,996 |
| UK dividend income | 372 | 300 |
| Stock dividends | 233 | 261 |
| Fixed interest income | - | 15 |
| | 9,620 | 13,572 |
| **Other income** | | |
| Deposit interest | - | 22 |
| Other income | 4 | 1 |
| | 4 | 23 |
| **Total income** | **9,624** | **13,595** |

## 4. Investment management fees

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Investment management fees | **3,570** | **3,121** |

The Company has an agreement with Aberdeen Standard Fund Managers Limited ("ASFML") for the provision of management services, under which investment management services have been delegated to abrdn Asia Limited ("abrdn Asia").

The management fee is payable monthly in arrears at the rate of 0.08% of the Company's market capitalisation (as defined below) per calendar month, exclusive of VAT where applicable. Market capitalisation is defined as the Company's closing Ordinary share price quoted on the London Stock Exchange multiplied by the number of Ordinary shares in issue (excluding those held in Treasury), as determined on the last business day of the calendar month to which the remuneration relates. The balance due to the Manager at the year end was £663,000 (2020 - £741,000) which represents two months' fees (2020 - three months).

The management agreement may be terminated by either the Company or the Manager on the expiry of twelve months' written notice. On termination, the Manager would be entitled to receive fees which would otherwise have been due to that date.

## 5. Administrative expenses

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Administration fees{A} | 99 | 97 |
| Directors' fees{B} | 157 | 168 |
| Promotional activities{C} | 219 | 219 |
| Auditors' remuneration: | | |
| - fees payable to the auditors for the audit of the annual accounts | 44 | 35 |
| - fees payable to the auditors and its associates for other services | | |
| - interim review{D} | - | 6 |
| Custodian charges | 276 | 258 |
| Depositary fees | 47 | 49 |
| Registrar fees | 44 | 40 |
| Legal and professional fees | 331 | 47 |
| Other expenses | 169 | 121 |
| | **1,386** | **1,040** |

{A} The Company has an agreement with ASFML for the provision of administration services. The administration fee is payable quarterly in advance and is adjusted annually to reflect the movement in the Retail Prices Index. The balance due to ASFML at the year end was £25,000 (2020 – £24,000). The agreement is terminable on six months' notice.

{B} No pension contributions were made in respect of any of the Directors.

{C} Under the management agreement, the Company has also appointed ASFML to provide promotional activities to the Company by way of its participation in the abrdn Investment Trust Share Plan and ISA. ASFML has delegated this role to abrdn plc. The total fee paid and payable under the agreement in relation to promotional activities was £219,000 (2020 – £219,000). There was a £73,000 (2020 – £73,000) balance due to abrdn at the year end.

{D} In 2020 the Company's previous auditor Ernst & Young LLP charged £6,000 plus VAT relating to review work undertaken for the Half-Yearly Report.

## 6. Finance costs

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Loans repayable in less than one year | 50 | 460 |
| Interest on 3.05% Senior Unsecured Loan Note 2035 | 611 | - |
| Interest on 2.25% CULS 2025 | 824 | 831 |
| Notional interest on 2.25% CULS 2025 | 153 | 154 |
| Amortisation of 2.25% CULS 2025 issue expenses | 94 | 94 |
| | **1,732** | **1,539** |

## 7. Tax expense

| | | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|---|
| | | **Revenue**<br>**£'000** | **Capital**<br>**£'000** | **Total**<br>**£'000** | **Revenue**<br>**£'000** | **Capital**<br>**£'000** | **Total**<br>**£'000** |
| **(a)** | **Analysis of charge for the year** | | | | | | |
| | Indian capital gains tax charge on sales | - | - | - | - | 302 | 302 |
| | Indian capital gains tax charge rebate on sales | - | (101) | (101) | - | (403) | (403) |
| | Overseas taxation | 550 | 26 | 576 | 802 | - | 802 |
| | **Total current tax charge for the year** | 550 | (75) | 475 | 802 | (101) | 701 |
| | Deferred tax charge on Indian capital gains | - | 3,631 | 3,631 | - | (57) | (57) |
| | **Total tax charge/(rebate) for the year** | **550** | **3,556** | **4,106** | **802** | **(158)** | **644** |

The Company has recognised a deferred tax liability of £3,631,000 (2020 - £nil) on capital gains which may arise if Indian investments are sold.

At 31 July 2021 the Company had surplus management expenses and loan relationship deficits with a tax value of £16,051,000 (2020 - £10,954,000) in respect of which a deferred tax asset has not been recognised. This is due to the Company having sufficient excess management expenses available to cover the potential liability and the Company is not expected to generate taxable income in the future in excess of deductible expenses.

**(b)** **Factors affecting the tax charge for the year.** The tax assessed for the year is lower (2020 - lower) than the current standard rate of corporation tax in the UK for a large company of 19% (2020 - 19%). The differences are explained below:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Revenue**<br>**£'000** | **Capital**<br>**£'000** | **Total**<br>**£'000** | **Revenue**<br>**£'000** | **Capital**<br>**£'000** | **Total**<br>**£'000** |
| Return before taxation | 2,936 | 147,653 | 150,589 | 7,895 | (67,637) | (59,742) |
| Return multiplied by the standard tax rate of corporation tax of 19% | 558 | 28,054 | 28,612 | 1,500 | (12,851) | (11,351) |
| Effects of: | | | | | | |
| (Gains)/losses on investments not taxable | - | (28,135) | (28,135) | - | 12,837 | 12,837 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Exchange losses | - | 81 | 81 | - | 14 | 14 |
| Overseas tax | 550 | 26 | 576 | 802 | - | 802 |
| Indian capital gains tax charge on sales | - | (101) | (101) | - | (101) | (101) |
| Movement in deferred tax liability on Indian capital gains | - | 3,631 | 3,631 | - | (57) | (57) |
| UK dividend income | (71) | - | (71) | (57) | - | (57) |
| Non-taxable dividend income | (1,757) | - | (1,757) | (2,519) | - | (2,519) |
| Expenses not deductible for tax purposes | 25 | - | 25 | (2) | - | (2) |
| Tax effect of expensed double taxation relief | - | - | - | (1) | - | (1) |
| Movement in unutilised management expenses | 916 | - | 916 | 793 | - | 793 |
| Movement in unutilised loan relationship deficits | 329 | - | 329 | 286 | - | 286 |
| **Total tax charge/(rebate) for the year** | **550** | **3,556** | **4,106** | **802** | **(158)** | **644** |

## 8. Dividends

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Final dividend for 2020 - 14.5p (2019 - 14.0p) | 4,612 | 4,691 |
| Special dividend for 2020 - 4.5p (2019 - 5.0p) | 1,431 | 1,676 |
| Write off 2018 dividend debtor | 1 | - |
| | **6,044** | **6,367** |

Proposed final and special dividends are subject to approval by shareholders at the Annual General Meeting and are not included as a liability in the financial statements.
We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 - 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the current year is £2,386,000 (2020 - £7,093,000).

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Proposed final dividend for 2021 - 15.0p (2020 - 14.5p) | 4,708 | 4,612 |
| Proposed special dividend for 2021 - 1.0p (2020 - 4.5p) | 314 | 1,431 |
| | **5,022** | **6,043** |

The amount reflected above for the cost of the proposed final and special dividend for 2021 is based on 31,389,684 Ordinary shares, being the number of Ordinary shares in issue excluding shares held in treasury at the date of this Report.

## 9. Return per Ordinary share

| | | 2021 | | | 2020 | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
| **Basic** | | | | | | |
| Return after taxation (£'000) | 2,386 | 144,097 | 146,483 | 7,093 | (67,479) | (60,386) |
| Weighted average number of shares in issue{A} | | | 31,727,143 | | | 33,075,236 |
| Return per Ordinary share (p) | 7.52 | 454.18 | 461.70 | 21.45 | (204.02) | (182.57) |

| | 2021 | 2020 |
|---|---|---|

| Diluted | Revenue | Capital | Total | Revenue | Capital | Total |
|---|---|---|---|---|---|---|
| Return after taxation (£'000) | 3,003 | 144,097 | 147,100 | 7,623 | (67,479) | (59,856) |
| Weighted average number of shares in issue{AB} | | | 34,230,984 | | | 35,586,690 |
| Return per Ordinary share (p) | n/a | 420.95 | 429.73 | n/a | n/a | n/a |

{A} Calculated excluding shares held in treasury.

{B} The calculation of the diluted total, revenue and capital returns per Ordinary share is carried out in accordance with IAS 33, "Earnings per Share". For the purpose of calculating total, revenue and capital returns per Ordinary share, the number of Ordinary shares used is the weighted average number used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all 2.25% Convertible Unsecured Loan Stock 2025 ("CULS"). The calculations indicate that the exercise of CULS would result in an increase in the weighted average number of Ordinary shares of 2,503,841 (2020 - 2,511,454) to 34,230,984 (2020 - 35,586,690) Ordinary shares.

For the year ended 31 July 2021 the assumed conversion for potential Ordinary shares was non-dilutive to the revenue return per Ordinary share but dilutive to the capital return per Ordinary share. Where dilution occurs, the net returns are adjusted for interest charges and issue expenses relating to the CULS (2021 - £617,000; 2020 - £530,000). Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted.

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

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Opening book cost | 314,306 | 314,799 |
| Opening investment holding gains | 80,161 | 169,910 |
| Opening fair value | 394,467 | 484,709 |
| **Analysis of transactions made during the year** | | |
| Purchases at cost | 83,636 | 67,688 |
| Sales proceeds received | (85,260) | (90,378) |
| Effective yield adjustment | - | 9 |
| Gains/(losses) on investments | 148,078 | (67,561) |
| **Closing fair value** | **540,921** | **394,467** |
| | | |
| Closing book cost | 346,431 | 314,306 |
| Closing investment gains | 194,490 | 80,161 |
| **Closing fair value** | **540,921** | **394,467** |

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Investments listed on an overseas investment exchange | 529,261 | 384,458 |
| Investments listed on the UK investment exchange | 11,660 | 10,009 |
| | **540,921** | **394,467** |

The Company received £85,260,000 (2020 - £90,378,000) from investments sold in the period. The book cost of these investments when they were purchased was £51,511,000 (2020 - £68,190,000). 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.

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

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |

| | | |
|---|---|---|
| Purchases | 173 | 172 |
| Sales | 152 | 142 |
| | **325** | **314** |

The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

## 11. Debtors: amounts falling due within one year

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Amounts due from brokers | 4,060 | 362 |
| Other debtors | 418 | 271 |
| Prepayments and accrued income | 629 | 908 |
| | **5,107** | **1,541** |

None of the above amounts is past their due date or impaired (2020 – same).

## 12. Creditors

| **Amounts falling due within one year** | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Bank loans | - | 11,200 |
| Amounts due to brokers | 1,997 | - |
| Amount due for the purchase of own shares to treasury | - | 97 |
| Other creditors | 1,425 | 1,177 |
| | **3,422** | **12,474** |

The Company's £20,000,000 multicurrency revolving loan facility with The Royal Bank of Scotland International Limited ("RBSI") matured on 1 December 2020 and the £11,200,000 that had been drawn down was repaid in full (31 July 2020 - £11,200,000 drawn down at an all in interest rate of 0.976%).
All financial liabilities are measured at amortised cost.

## 13. Non-current liabilities

**(a)**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **CULS** | **Number of units £'000** | **Liability component £'000** | **Equity component £'000** | **Number of units £'000** | **Liability component £'000** | **Equity component £'000** |
| **2.25% Convertible Unsecured Loan Stock 2025** | | | | | | |
| Balance at beginning of year | 36,694 | 35,497 | 1,057 | 36,945 | 35,499 | 1,057 |
| Conversion of 2.25% CULS 2025 | (36) | (36) | - | (251) | (251) | - |
| Notional interest on CULS transferred to revenue reserve | - | 153 | - | - | 154 | - |
| Amortisation and issue expenses | - | 94 | - | - | 95 | - |
| **Balance at end of year** | **36,658** | **35,708** | **1,057** | **36,694** | **35,497** | **1,057** |

The 2.25% Convertible Unsecured Loan Stock 2025 ("2025 CULS") can be converted at the election of holders into Ordinary shares during the months of May and November each year throughout their life, commencing 30 November 2018 to 31 May 2025 at a rate of 1 Ordinary share for every 1465.0p nominal of CULS. Interest is payable on the 2025 CULS on 31 May and 30 November each year, commencing on 30 November 2018. 100% of the interest will be charged to revenue in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

The 2025 CULS has been constituted as an unsecured subordinated obligation of the Company by the Trust Deed between the Company and the Trustee, the Law Debenture Trust Corporation p.l.c., dated 23 May 2018. The Trust Deed details the 2025 CULS holders' rights and the Company's obligations to the CULS holders and the Trustee oversees the operation of the Trust Deed. In the event of a winding-up of the Company the rights and claims of the Trustee and 2025 CULS holders would be subordinate to the claims of all creditors in respect of the Company's secured and unsecured borrowings, under the terms of the Trust Deed.
In 2021 the Company received elections from 2025 CULS holders to convert 36,476 (2020 - 251,001) nominal amount of CULS into 2,475 (2020 - 17,116) Ordinary shares.
The fair value of the 2025 CULS at 31 July 2021 was £37,941,000 (2020 - £34,988,000).

| | | 2021 | 2020 |
|---|---|---|---|
| **(b)** | **Loan Note** | **£'000** | **£'000** |
| | 3.05% Senior Unsecured Loan Note 2035 | 30,000 | - |
| | Unamortised Loan Note issue expenses | (114) | - |
| | | **29,886** | **-** |

On 1 December 2020 the Company issued £30,000,000 of a 15 year loan note at a fixed rate of 3.05%. Interest is payable in half yearly instalments in June and December and the Loan Note is due to be redeemed at par on 1 December 2035. The issue costs of £118,000 will be amortised over the life of the loan note. The Company has complied with the Note Purchase Agreement that the ratio of total borrowings to adjusted net assets will not exceed 0.20 to 1.00, that the ratio of total borrowings to adjusted net liquid assets will not exceed 0.60 to 1.00, that net tangible assets will not be less than £225,000,000 and that the minimum number of listed assets will not be less than 40.
The fair value of the Senior Unsecured Loan Note as at 31 July 2021 was £30,713,000, the value being based on a comparable quoted debt security.

| | | 2021 | 2020 |
|---|---|---|---|
| | | **£'000** | **£'000** |
| **(c)** | **Deferred tax liability on Indian capital gains** | **3,631** | **-** |

## 14. Called up share capital

| | 2021 | 2020 |
|---|---|---|
| | **£'000** | **£'000** |
| **Allotted, called-up and fully paid** | | |
| Ordinary shares of 25p | 7,848 | 8,111 |
| Treasury shares | 2,587 | 2,323 |
| | **10,435** | **10,434** |

| | Ordinary shares Number | Treasury shares Number | Total shares Number |
|---|---|---|---|
| At 31 July 2020 | 32,442,209 | 9,293,918 | 41,736,127 |
| Conversion of CULS | 2,475 | **-** | 2,475 |
| Buyback of own shares | (1,055,000) | 1,055,000 | - |
| **At 31 July 2021** | **31,389,684** | **10,348,918** | **41,738,602** |

During the year 1,055,000 Ordinary shares of 25p were purchased (2020 - 1,484,256 Ordinary shares purchased) by the Company at a total cost of £11,473,000 (2020 - total cost of £15,552,000), all of which were held in treasury (2020 - same). At the year end 10,348,918 (2020 - 9,293,918) shares were held in treasury, which represents 24.79% (2020 - 22.27%) of the Company's total issued share capital at 31 July 2021. During the year there were a further 2,475 (2020 - 17,116) Ordinary shares issued as a result of CULS conversions.
Since the year end no further Ordinary shares of 25p have been purchased by the Company.

## 15. Reserves

| | 2021 | 2020 |
|---|---|---|

| | £'000 | £'000 |
|---|---|---|
| **Capital reserve** | | |
| At 31 July 2020 | 268,750 | 351,781 |
| Movement in investment holdings fair value | 114,329 | (89,749) |
| Gains on realisation of investments at fair value | 33,749 | 22,188 |
| Purchase of own shares to treasury | (11,473) | (15,552) |
| Indian capital gains tax charge on sales | 101 | 101 |
| Movement in deferred liability on Indian capital gains | (3,631) | 57 |
| Withholding tax charged on capital dividends | (26) | - |
| Foreign exchange movement | (425) | (76) |
| **At 31 July 2021** | **401,374** | **268,750** |

The capital reserve includes investment holding gains amounting to £194,490,000 (2020 - £80,161,000) as disclosed in note 10. The above split in capital reserve is shown in accordance with provisions of the Statement of Recommended Practice 'Financial Statements Of Investment Trust Companies and Venture Capital Trusts'.

**16. Net asset value per Ordinary share**

| | 2021 | 2020 |
|---|---|---|
| **Basic** | | |
| Net assets attributable | £487,958,000 | £358,956,000 |
| Number of Ordinary shares in issue{A} | 31,389,684 | 32,442,209 |
| Net asset value per Ordinary share | 1,554.52p | 1,106.45p |

| | 2021 | 2020 |
|---|---|---|
| **Diluted** | | |
| Net assets attributable | £523,666,000 | £394,453,000 |
| Number of Ordinary shares in issue{A} | 33,891,920 | 34,946,935 |
| Net asset value per Ordinary share{B} | 1,545.11p | n/a |

{A} Calculated excluding shares held in treasury.

{B} The diluted net asset value per Ordinary share has been calculated on the assumption that £36,657,755 (2020 - £36,694,231) 2.25% Convertible Unsecured Loan Stock 2025 ("CULS") is converted at 1,465.0p per share, giving a total of 33,891,920 (2020 - 34,946,935) Ordinary shares. Where dilution occurs, the net assets are adjusted for items relating to the CULS.

**Net asset value per share - debt converted.** In accordance with the Company's understanding of the current methodology adopted by the AIC, convertible financial instruments are deemed to be "in the money" if the cum income net asset value ("NAV") exceeds the conversion price of 1,465.0p per share. In such circumstances a net asset value is produced and disclosed assuming the convertible debt is fully converted. At 31 July 2021 the cum income NAV was 1,554.52p (2020 - 1,106.45p) and thus the CULS were 'in the money' (2020 - not "in the money").

**17. Analysis of changes in net debt**

| | At 31 July 2020 £'000 | Currency differences £'000 | Cash flows £'000 | Non-cash movements £'000 | At 31 July 2021 £'000 |
|---|---|---|---|---|---|
| Cash and short term deposits | 10,919 | (425) | 4,083 | - | 14,577 |
| Debt due within one year | (11,200) | - | 11,200 | - | - |
| Debt due after more than one year | (35,497) | - | (29,882) | (3,846) | (69,225) |
| | **(35,778)** | **(425)** | **(14,599)** | **(3,846)** | **(54,648)** |

| | At | | | | At |
|---|---|---|---|---|---|

| | 31 July 2019 £'000 | Currency differences £'000 | Cash flows £'000 | Non-cash movements £'000 | 31 July 2020 £'000 |
|---|---|---|---|---|---|
| Cash and short term deposits | 10,239 | (641) | 1,321 | - | 10,919 |
| Debt due within one year | (20,407) | 565 | 8,652 | (10) | (11,200) |
| Debt due after more than one year | (35,499) | - | - | 2 | (35,497) |
| | **(45,667)** | **(76)** | **9,973** | **(8)** | **(35,778)** |

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

**18.** **Related party transactions and transactions with the Manager.** Fees payable during the year to the Directors and their interests in shares of the Company are considered to be related party transactions and are disclosed within the Directors' Remuneration Report. The balance of fees due to Directors at the year end was £nil (2020 - £nil).

The Company's Investment Manager, abrdn Asia, is a wholly-owned subsidiary of abrdn plc, which has been delegated, under an agreement with Aberdeen Standard Fund Managers Limited, to provide management services to the Company, the terms of which are outlined in notes 4 and 5 along with details of transactions during the year and balances outstanding at the year end. Up until 27 November 2020 Mr Young, a director of abrdn Asia, was the Alternate Director for Mr Martin Gilbert. Up until 1 December 2020 Mr Yea was a Director of the Company as well as being a director of the Company's registrar, Equiniti Limited.

**19.** **Financial instruments**

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

The Board has delegated the risk management function to ASFML under the terms of its management agreement with ASFML (further details of which are included under note 4 and in the Directors' Report) however, it remains responsible for the risk and control framework and operation of third parties. The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors.

**Risk management framework.** The directors of ASFML collectively assume responsibility for ASFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

ASFML is a fully integrated member of the abrdn Group ("the Group"), which provides a variety of services and support to ASFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to abrdn Asia, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

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

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

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

**Risk management.** The main risks the Company faces from these financial instruments are (i) market risk (comprising interest rate, foreign currency and other price risk), (ii) liquidity risk and (iii) credit risk.
**Market risk**. The fair value of or future cash flows from a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - interest rate risk, currency risk and other price risk.
**Interest rate risk**. Interest rate movements may affect:

- the level of income receivable on cash deposits;

- valuation of debt securities in the portfolio.

**Management of the risk**. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions. When drawn down, interest rates are fixed on borrowings.

**Interest rate risk profile.** The interest rate risk profile of the Company's financial assets and liabilities, excluding equity holdings which are all non-interest bearing, at the reporting date was as follows:

| At 31 July 2021 | Weighted average period for which rate is fixed Years | Weighted average interest rate % | Fixed rate £'000 | Floating rate £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Sterling | - | - | - | 13,712 |
| Indian Rupee | - | - | - | 476 |
| Pakistan Rupee | - | - | - | 14 |
| Thailand Baht | - | - | - | 141 |
| Vietnam Dong | - | - | - | 2 |
| Malaysian Ringgit | - | - | - | 2 |
| Taiwan Dollar | - | - | - | 230 |
| | **-** | **-** | **-** | **14,577** |
| **Liabilities** | | | | |
| 2.25% Convertible Unsecured Loan Stock 2025 | 3.83 | 3.1 | 35,708 | - |
| 3.05% Senior Unsecured Loan Note 2035 | 14.35 | 3.1 | 29,886 | - |
| | **-** | **-** | **65,594** | **-** |

| At 31 July 2020 | Weighted average period for which rate is fixed Years | Weighted average interest rate % | Fixed rate £'000 | Floating rate £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Sterling | - | - | - | 10,091 |
| Indian Rupee | - | - | - | 394 |
| Pakistan Rupee | - | - | - | 14 |
| Thailand Baht | - | - | - | 331 |
| Vietnam Dong | - | - | - | 7 |
| Malaysian Ringgit | - | - | - | 81 |
| New Zealand Dollar | - | - | - | 1 |
| | **-** | **-** | **-** | **10,919** |
| **Liabilities** | | | | |
| Short-term loan | 0.02 | 1.0 | 11,200 | - |

| | | | | | |
|---|---|---|---|---|---|
| 2.25% Convertible Loan Stock 2025 | Unsecured | 4.83 | 3.1 | 35,497 | - |
| | | **-** | **-** | **46,697** | **-** |

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on interest payable, weighted by the value of the loan. Details of the Company's loan are shown in note 12 to the financial statements.
The floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

The Company's equity portfolio and short term debtors and creditors (excluding bank loans) have been excluded from the above tables.
**Interest rate sensitivity**. Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total return.
**Foreign currency risk.** Most of the Company's investment portfolio is invested in overseas securities and the Statement of Financial Position, therefore, can be significantly affected by movements in foreign exchange rates.
**Management of the risk.** It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings.
The revenue account is subject to currency fluctuations arising on dividends receivable in foreign currencies and, indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. It is not the Company's policy to hedge this currency risk but the Board keeps under review the currency returns in both capital and income.
Foreign currency risk exposure by currency of denomination:

| | | **31 July 2021** | | | **31 July 2020** | |
|---|---|---|---|---|---|---|
| | **Overseas investments £'000** | **Net monetary assets/ (liabilities) £'000** | **Total currency exposure £'000** | **Overseas Investments £'000** | **Net monetary assets/ (liabilities) £'000** | **Total currency exposure £'000** |
| Australian Dollar | - | - | - | 260 | - | 260 |
| Chinese Renminbi | 4,619 | - | 4,619 | - | - | - |
| Danish Krona | 10,157 | - | 10,157 | 8,187 | - | 8,187 |
| Hong Kong Dollar | 57,636 | - | 57,636 | 41,200 | - | 41,200 |
| Indian Rupee | 90,186 | 476 | 90,662 | 56,026 | 394 | 56,420 |
| Indonesian Rupiah | 43,412 | - | 43,412 | 28,732 | - | 28,732 |
| Korean Won | 34,240 | - | 34,240 | 21,482 | - | 21,482 |
| Malaysian Ringgit | 29,106 | 2 | 29,108 | 33,425 | 81 | 33,506 |
| Taiwan Dollar | 78,501 | 230 | 78,731 | 33,601 | - | 33,601 |
| New Zealand Dollar | 17,054 | - | 17,054 | 13,359 | 1 | 13,360 |
| Pakistan Rupee | 927 | 14 | 941 | 1,063 | 14 | 1,077 |
| Philippine Peso | 21,921 | - | 21,921 | 24,586 | - | 24,586 |
| Singapore Dollar | 55,283 | - | 55,283 | 44,480 | - | 44,480 |
| Sri Lankan Rupee | 13,942 | - | 13,942 | 13,216 | - | 13,216 |
| Thailand Baht | 44,104 | 141 | 44,245 | 50,902 | 331 | 51,233 |
| Vietnamese Dong | 28,173 | 2 | 28,175 | 13,939 | 7 | 13,946 |
| | 529,261 | 865 | 530,126 | 384,458 | 828 | 385,286 |
| Sterling | 11,660 | (51,882) | (40,222) | 10,009 | (36,606) | (26,597) |
| **Total** | **540,921** | **(51,017)** | **489,904** | **394,467** | **(35,778)** | **358,689** |

**Foreign currency sensitivity.** The Company's foreign currency financial instruments are in the form of equity investments, fixed interest investments, cash and bank loans. The sensitivity of the former has been included within other price risk sensitivity analysis so as to show the overall level of exposure. Due consideration is paid to foreign currency risk throughout the investment process.
**Other price risk.** Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

Investment in Far East equities or those of companies that derive significant revenue or profit from the Far East involves a greater degree of risk than that usually associated with investment in the securities in major securities markets. The securities that the Company owns may be considered speculative because of this higher degree of risk. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. Both the allocation of assets and the stock selection process act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on various stock exchanges worldwide.

**Other price risk sensitivity**. If market prices at the reporting date had been 20% (2020 - 20%) higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 July 2021 would have increased/(decreased) by £108,184,000 (2020 - increased/(decreased) by £78,894,000) and equity reserves would have increased/(decreased) by the same amount.

**Liquidity risk.** This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

**Management of the risk.** The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Gearing comprises both senior unsecured loan notes and convertible unsecured loan stock. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 25%. Details of borrowings at the 31 July 2021 are shown in note 13.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Details of the Board's policy on gearing are shown in the investment policy section.

**Liquidity risk exposure.** At 31 July 2021 the Company had borrowings in the form of the £36,658,000 (2020 - £36,694,000) nominal of 2.25% Convertible Unsecured Loan Stock 2025 and £29,886,000 (2020 - £nil) in the form of the 3.05% Senior Unsecured Loan Note 2035.

At 31 July 2021 the amortised cost of the Company's 3.05% Senior Unsecured Loan Note 2035 was £29,886,000. At 31 July 2021 the Company's rolling bank loan was fully repaid (2020 - £11,200,000; repayment date 6 August 2020). The maximum exposure during the year was £30,000,000 (2020 - £18,466,000) and the minimum exposure during the year was £11,200,000 (2020 - £11,200,000).

The maturity profile of the Company's existing borrowings is set out below.

| **31 July 2021** | **Expected cashflows £'000** | **Due within 3 months £'000** | **Due between 3 months and 1 year £'000** | **Due after 1 year £'000** |
|---|---|---|---|---|
| 2.25% Convertible Unsecured Loan Stock 2025 | 39,692 | - | 826 | 38,866 |
| 3.05% Senior Unsecured Loan Note 2035 | 43,268 | - | 915 | 42,353 |
| | **82,960** | **-** | **1,741** | **81,219** |

| **31 July 2020** | **Expected cashflows £'000** | **Due within 3 months £'000** | **Due between 3 months and 1 year £'000** | **Due after 1 year £'000** |
|---|---|---|---|---|
| 2.25% Convertible Unsecured Loan Stock 2025 | 40,306 | - | 826 | 39,480 |
| Short-term loan | 11,200 | 11,200 | - | - |
| | **51,506** | **11,200** | **826** | **39,480** |

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

**Management of the risk**. Investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker. Settlement of investment transactions are also done on a delivery versus payment basis;

- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, the third party administrator carries out a stock reconciliation to Custodian records on a monthly basis to ensure discrepancies are picked up on a timely basis. The Manager's compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's risk management committee. This review will also include checks on the maintenance and security of investments held; and
- cash is held only with reputable banks with high quality external credit ratings.

It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.
None of the Company's financial assets is secured by collateral or other credit enhancements.

**Credit risk exposure**. In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 July was as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Statement of Financial Position** | **Maximum exposure** | **Statement of Financial Position** | **Maximum exposure** |
| **Current assets** | **£'000** | **£'000** | **£'000** | **£'000** |
| Debtors | 5,107 | 5,107 | 1,541 | 1,541 |
| Cash and short term deposits | 14,577 | 14,577 | 10,919 | 10,919 |
| | **19,684** | **19,684** | **12,460** | **12,460** |

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

**Fair values of financial assets and financial liabilities.** The fair value of the loan note has been calculated at £30,713,000 as at 31 July 2021 (2020 – £nil) compared to an accounts value in the financial statements of £29,886,000 (2020 – £nil) (note 13). The fair value of the loan note is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. Investments held at fair value through profit or loss are valued at their quoted bid prices which equate to their fair values. The Directors are of the opinion that the other financial assets and liabilities, excluding CULS which are held at amortised cost, are stated at fair value in the Statement of Financial Position and considered that this approximates to the carrying amount.

20. **Fair value hierarchy.** FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.
Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at 31 July 2021 as follows:

| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **As at 31 July 2021** | **Note** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Financial assets and liabilities at fair value through profit or loss** | | | | | |
| Quoted equities | a) | 536,934 | - | - | 536,934 |
| Quoted preference shares | b) | - | 3,652 | - | 3,652 |
| Quoted warrants | b) | - | 335 | - | 335 |
| **Net fair value** | | **536,934** | **3,987** | **-** | **540,921** |

| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **As at 31 July 2020** | **Note** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Financial assets and liabilities at fair value through profit or loss** | | | | | |
| Quoted equities | a) | 390,102 | - | - | 390,102 |

| | | | | | |
|---|---|---|---|---|---|
| Quoted preference shares | b) | 4,326 | - | - | 4,326 |
| Quoted warrants | b) | 39 | - | - | 39 |
| **Net fair value** | | **394,467** | **-** | **-** | **394,467** |

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

b) **Quoted preference shares and quoted warrants.** The fair value of the Company's investments in quoted preference shares and quoted warrants has been determined by reference to their quoted bid prices at the reporting date. Investments categorised as Level 2 are not considered to trade as actively as Level 1 assets.

During the period, investments valued at £3,684,000 were transferred from Level 1 to Level 2 following a review of their trading activity.

**21. Capital management policies and procedures.** The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt (comprising CULS and Loan Note) and equity balance.

The Company's capital comprises the following:

| | **2021** | **2020** |
|---|---|---|
| | **£'000** | **£'000** |
| **Equity** | | |
| Equity share capital | 10,435 | 10,434 |
| Reserves | 477,523 | 348,522 |
| **Liabilities** | | |
| Bank loans | - | 11,200 |
| 3.05% Senior Unsecured Loan Note 2035 | 29,886 | - |
| 2.25% Convertible Unsecured Loan Stock 2025 | 35,708 | 35,497 |
| | **553,552** | **405,653** |

The Board's policy is to utilise gearing when the Manager believes it appropriate to do so, up to a maximum of 25% geared at the time of drawdown. Gearing for this purpose is defined as the excess amount above shareholders' funds of total assets (including net current assets/liabilities) less cash/cash equivalents, expressed as a percentage of the shareholders' funds. If the amount so calculated is negative, this is shown as a 'net cash' position.

| | **2021** | **2020** |
|---|---|---|
| | **£'000** | **£'000** |
| Investments at fair value through profit or loss | 540,921 | 394,467 |
| Current assets excluding cash and cash equivalents | 1,047 | 1,179 |
| Current liabilities excluding bank loans | (1,425) | (1,274) |
| Deferred tax liability on Indian capital gains | (3,631) | - |
| | **536,912** | **394,372** |
| **Net assets** | **487,958** | **358,956** |
| **Gearing (%)** | **10.0** | **9.9** |

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. The review includes:

- the planned level of gearing which takes account of the Manager's views on the market;
- the level of equity shares in issue;
- the extent to which revenue in excess of that which is required to be distributed should be retained.

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

The Company does not have any externally imposed capital requirements.

## ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures ("APMs") are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

**Total return.** NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return involves a calculation that invests the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves a calculation that invests the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the years ended 31 July 2021 and 31 July 2020 and total return for the year.

| **2021** | **Dividend rate** | **NAV** | **Share price** |
|---|---|---|---|
| 31 July 2020 | N/A | 1,106.45p | 980.00p |
| 12 November 2020 | 19.00p | 1,188.97p | 1,022.50p |
| 31 July 2021 | N/A | 1,545.11p | 1,330.00p |
| **Total return** | | **+41.9%** | **+38.2%** |

| **2020** | **Dividend rate** | **NAV** | **Share price** |
|---|---|---|---|
| 31 July 2019 | N/A | 1,300.56p | 1,150.00p |
| 14 November 2019 | 19.00p | 1,206.37p | 1,050.00p |
| 31 July 2020 | N/A | 1,106.45p | 980.00p |
| **Total return** | | **-13.6%** | **-13.2%** |

**Discount to net asset value per Ordinary share.** The difference between the share price and the net asset value per Ordinary share expressed as a percentage of the net asset value per Ordinary share. 2021 has been presented on a diluted basis as the Convertible Unsecured Loan Stock ("CULS") is "in the money" (2020 not "in the money" so basic net asset value used).

| | | **As at 31 July 2021** | **As at 31 July 2020** |
|---|---|---|---|
| NAV per Ordinary share (p) | a | 1,545.11 | 1,106.45 |
| Share price (p) | b | 1,330.00 | 980.00 |
| Discount | (a-b)/a | 13.9% | 11.4% |

**Dividend cover**. Revenue return per Ordinary share divided by dividends declared for the year per Ordinary share expressed as a ratio.

| | | **Year ended 31 July 2021** | **Year ended 31 July 2020** |
|---|---|---|---|
| Revenue return per Ordinary share (p) | a | 7.52 | 21.45 |
| Dividends declared (p) | b | 16.00 | 19.00 |
| Dividend cover | a/b | 0.47 | 1.13 |

**Net gearing**. Net gearing measures the total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes net amounts due from and to brokers at the year end as well as cash and short term deposits.

| | | Year ended 31 July 2021 | Year ended 31 July 2020 |
|---|---|---|---|
| Borrowings (£'000) | a | 65,594 | 46,697 |
| Cash (£'000) | b | 14,577 | 10,919 |
| Amounts due to brokers (£'000) | c | 1,997 | - |
| Amounts due from brokers (£'000) | d | 4,060 | 362 |
| Shareholders' funds (£'000) | e | 487,958 | 358,956 |
| **Net gearing** | (a-b+c-d)/e | **10.0%** | **9.9%** |

**Ongoing charges.** The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values with debt at fair value throughout the year.

| | 2021 | 2020 |
|---|---|---|
| Investment management fees (£'000) | 3,570 | 3,121 |
| Administrative expenses (£'000) | 1,386 | 1,040 |
| Less: non-recurring charges{A} (£'000) | (297) | (1) |
| **Ongoing charges (£'000)** | **4,659** | **4,160** |
| **Average net assets (£'000)** | **422,440** | **380,361** |
| **Ongoing charges ratio** | **1.10%** | **1.09%** |

{A} Professional services comprising corporate and legal fees considered unlikely to recur.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations, which includes finance costs and transaction charges.

The Annual General Meeting will be held at 10:00 a.m. on 27 January 2022 at Bow Bells House, 1 Bread Street, London EC4M 9HH.

Please note that past performance is not necessarily a guide to the future and that the value of investments and the income from them may fall as well as rise and may be affected by exchange rate movements. Investors may not get back the amount they originally invested.

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 July 2021 are an abridged version of the Company's full financial statements, which have been approved and audited with an unqualified report. The 2020 and 2021 statutory accounts received unqualified reports from the Company's auditors and did not include any reference to matters to which the auditors drew attention by way of emphasis without qualifying the reports, and did not contain a statement under s.498(2) or 498(3) of the Companies Act 2006. The financial information for 2020 is derived from the statutory accounts for 2020 which have been delivered to the Registrar of Companies. The 2021 financial statements will be filed with the Registrar of Companies in due course.

The audited Annual Report and financial statements will be posted to shareholders in November. Copies may be obtained during normal business hours from the Company's Registered Office, Bow Bells House, 1 Bread Street, London EC4M 9HH or from the Company's website, asia-focus.co.uk*

** Neither the content of the Company's website nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is (or is deemed to be) incorporated into, or forms (or is deemed to form) part of this announcement.*

By Order of the Board
**Aberdeen Asset Management PLC**
Secretary
29 November 2021