# Asia Dragon Trust plc

Capturing Growth from world-class Asian companies

**Annual Report 31 August 2023**

asiadragontrust.co.uk

"The investment focus on quality companies remains undiminished. The Manager believes that good stock selection will be the major source of added value over the long term and it is committed to its quality, bottom-up investment process based on a disciplined evaluation of companies"

James Will, Chairman

"'While accepting cloudy macro-economic conditions, rising geopolitical tensions and conflicts in many parts of the world, in Asia we have more cause to be optimistic"

Pruksa Iamthongthong and James Thom,
abrdn (Asia) Limited

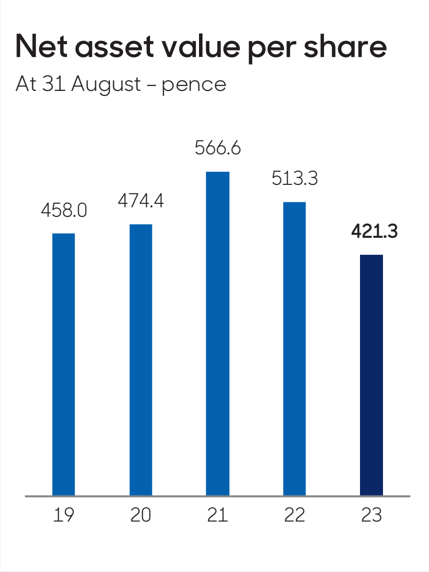
You can also register for regular email updates by visiting **asiadragontrust.co.uk** or by activating the QR Code below using the camera on your smart phone:

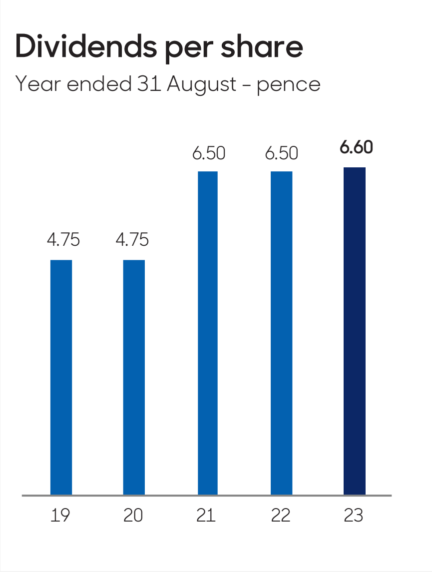
SCAN ME

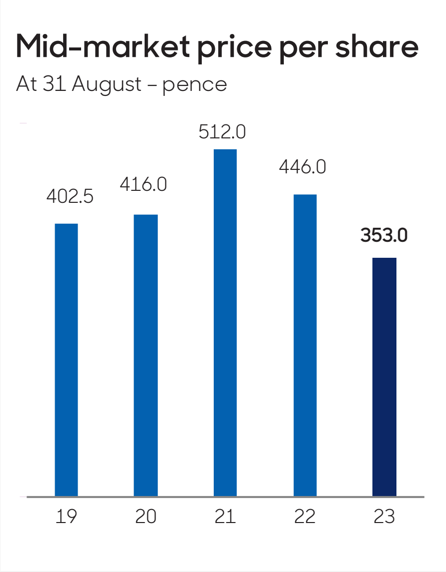
# Performance Highlights

| Measure | 2023 | 2022 |
|---|---|---|
| Net asset value total return[A] | (16.7)% | (8.4)% |
| Net asset value per share | 421.3p | 513.3p |
| Share price total return[A] | (19.5)% | (11.8)% |
| Share price | 353.0p | 446.0p |
| Benchmark total return (in sterling terms) | (8.4)% | (7.1)% |
| Ongoing charges[A] | 0.91% | 0.84% |
| Earnings per share (revenue) | 7.06p | 6.38p |
| Dividend per share | 6.60p | 6.50p |

[A] Considered to be an Alternative Performance Measure. Further details can be found on page 107.



# Contents

**"The Board has declared a final dividend of 6.6p per Ordinary share (2022 – 6.50p) which, if approved by shareholders at the Annual General Meeting ("AGM"), will be paid on 15 December 2023 to shareholders on the register on 27 October 2023"**

James Will, Chairman

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Asia Dragon Trust plc, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.**

# Financial Calendar, Dividends and Highlights

## Financial Calendar

| | |
|---|---|
| Expected Completion Date of Combination with abrdn New Dawn | **8 November 2023** |
| Pre-AGM Investor Presentation | **27 November 2023** |
| Annual General Meeting | **7 December 2023** |
| Expected payment of Final Dividend | **15 December 2023** |
| Half year end | **28 February 2024** |
| Expected announcement of results for the six months ending 28 February 2024 | **April 2024** |
| Financial year end | **31 August 2024** |
| Expected announcement of results for the year ending 31 August 2024 | **November 2024** |

## Dividends

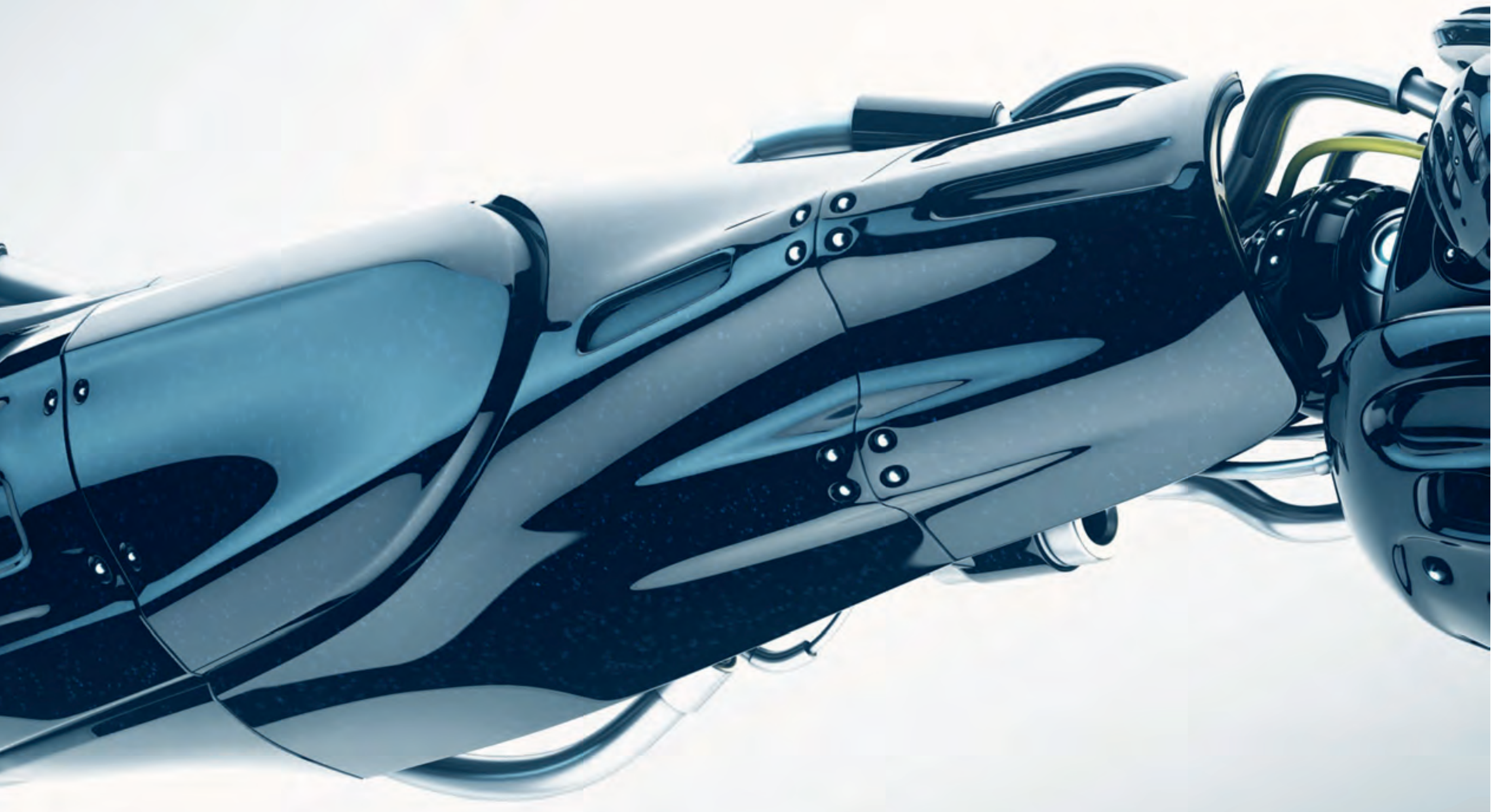
| | Rate | xd date | Record date | Payment date |
|---|---|---|---|---|
| Proposed final 2023 | 6.60p | 26 October 2023 | 27 October 2023 | 15 December 2023 |
| Final 2022 | 6.50p | 10 November 2022 | 11 November 2022 | 16 December 2022 |

# Highlights

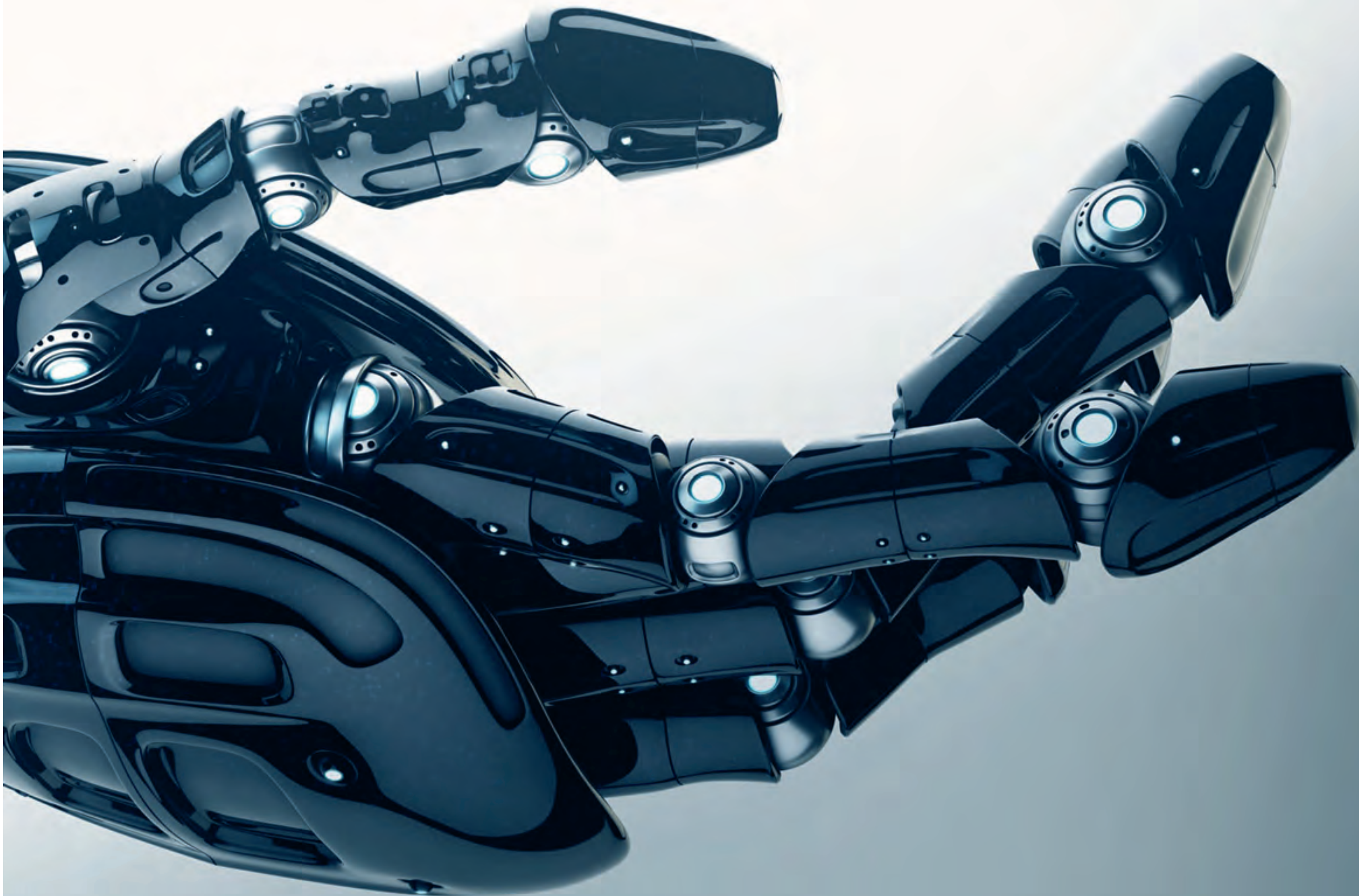
| | 31 August 2023 | 31 August 2022 | % change |
|---|---|---|---|
| **Performance** | | | |
| Total shareholders' funds (£'000) | **479,169** | 614,369 | –22.0 |
| Net asset value per share (capital return basis) (p) | **421.26** | 513.32 | –17.9 |
| Net asset value per share (total return basis) (%) | **–16.7** | –8.4 | |
| Share price (capital return basis) (p) | **353.00** | 446.00 | –20.9 |
| Market capitalisation (£'000) | **401,521** | 533,800 | –24.8 |
| MSCI AC Asia (ex Japan) Index (in sterling terms; capital return basis) | **918.92** | 1,030.48 | –10.8 |
| MSCI AC Asia (ex Japan) Index (in sterling terms; total return basis) (%) | **–8.4** | –7.1 | |
| Revenue return per share (p) | **7.06** | 6.38 | +10.7 |
| Total return per share (p) | **(88.66)** | (49.53) | +79.0 |
| **Dividend** | | | |
| **Dividend per share (p)** | **6.60** | 6.50 | +1.5 |
| **Gearing** | | | |
| Net gearing (%)[A] | **5.8** | 9.0 | |
| **Discount** | | | |
| Discount to net asset value (%)[A] | **16.2** | 13.1 | |
| **Operating costs** | | | |
| Ongoing charges ratio[A] | **0.91** | 0.84 | |

[A] Considered to be an Alternative Performance Measure. Further details can be found on pages 106 and 107.

# Strategic Report



The Company is an investment trust and aims to achieve long-term capital growth principally through investment into companies in the Asia Pacific region which are believed by the Investment Manager to have above average prospects for growth.



# Chairman's Statement

## Significant events during the year

On 21 July 2023 the Company announced that it had agreed terms with the board of abrdn New Dawn Investment Trust plc ("New Dawn") in respect of a proposed combination of the assets of the Company with those of New Dawn. Shareholders were sent documentation in September explaining that this is to be effected by way of a scheme of reconstruction and winding up of New Dawn under section 110 of the Insolvency Act 1986 (the "Scheme") and the associated transfer of the majority of the cash, assets and undertaking of New Dawn to the Company in exchange for the issue of new Ordinary shares in the Company to those New Dawn shareholders who so elect.

I would like to take this opportunity to thank our shareholders for approving the Scheme proposals at the Company's General Meeting, held on 25 October 2023 with over 99.9% of votes in favour on all resolutions. This has paved the way for the Scheme to progress, subject to the approval of New Dawn shareholders at its second general meeting scheduled for 8 November 2023. On the basis of the current timetable, it is expected that the combination of the Company and New Dawn will take place on or around 8 November 2023.

The expected benefits of the Scheme were set out in detail in the recent shareholder circular but are worth repeating here. In summary, the combination will create an enlarged vehicle with the following expected benefits to shareholders:

- Enhanced profile and marketability of the enlarged Company
- Lower management fee (further details below)
- Lower ongoing charges
- Enhanced liquidity of the Company's shares

The amendments to the Investment Policy and to the Articles of Association described in the recent Circular have been approved. In addition, should the Scheme become effective, the level of any performance-related conditional tender offer of the Company (covering the period from 1 September 2021 to 31 August 2026) that may be triggered would be reduced in size to up to 15% of the issued share capital of the enlarged Company. Thereafter, any future five-yearly conditional tender offers triggered by underperformance would revert back to up to 25% of the prevailing issued share capital as was set in 2021.

Subject to the successful completion of the combination, the Manager will be implementing changes to the portfolio to reflect this new Investment Policy.

## Results

Once again, rising inflation and recession risk have continued to cast a long shadow over the global economy. Asian markets have not been immune, leading to testing times for investors. In the 12 months to 31 August 2023, the MSCI AC Asia ex Japan Index fell 8.4% in sterling total return terms. The Company's net asset value ("NAV") fared worse, finishing down 16.7% on the same total return basis after accounting for dividends. The Company's share price was impacted through this period of risk aversion, falling 20.9% to 353.0p per share from last year's 446.0p. This reflected a widening of the discount to NAV to 16.2% as at the year end.

## Performance

Looking at your Company's performance over the period, the portfolio made small gains relative to its benchmark over the first few months but underperformed from the start of 2023 onwards, the key detractor being our exposure to China. Through the period, we also saw a significant style shift towards value stocks both in China and the broader Asia Pacific ex Japan region, which worked against your Company's performance, given your Manager's long-term focus on businesses with quality characteristics.

The Manager's Review covers the Company's performance, portfolio activity and their views on the future in some detail. Although performance has been disappointing during the period, the Board notes that much of the underperformance during the year stemmed from the Company's exposure to China, which has been an unusually challenging and volatile market to navigate over the period. The Manager's Review also highlights the reasons for long-term optimism with regard to China, and that the recent market movements have created opportunities with some high-quality businesses seen trading on attractive valuations.

The Board continues to have confidence in Asia's longer-term growth story. Moreover, the combination with New Dawn is, we believe, strongly positioning the new combined Company at a critical time, for when investors start to allocate back to Asia.

## Market Review

Investor sentiment fluctuated greatly in the year under review. On the one hand, there were concerns over the impact of policy tightening in the US, with fears that increasing interest rates to control inflation could trigger a global recession. On the other hand, there was hope that the tightening cycle would start to ease.

At the end of the Company's half year, in February, investors were optimistic that the Fed, having raised interest rates by 425 basis points in 2022, would start to ease up. These expectations proved to be premature, although the severity of rate increases in 2023 has been much reduced.

Moving into 2023, market expectations brightened over Asia's near-term outlook. In China, the easing of Covid curbs and increasing government support boosted mainland equity markets and buoyed export-oriented markets such as Taiwan and South Korea. Investors hoped that the faster than expected re-opening would translate to a big recovery in consumer spending. However, this did not transpire as expected. The economic recovery stalled and China's increased savings rate and looser fiscal policy environment did not convert into increased spending. Another key concern was the weak property sector. We have also seen the government step up its policy support through monetary policy easing, a liquidity boost for capital markets and targeted measures for real estate.

In other parts of Asia, the growth picture was rosier. In India, for instance, a recovery in urban consumer demand and a buoyant housing market underpinned continued economic growth, placing the country among the world's fastest-growing economies. Elsewhere, Indonesia displayed signs of resilient domestic spending, while investors turned more positive on Taiwan and South Korea, in the expectation that artificial intelligence (AI) will be a fillip for semiconductor manufacturing.

## Gearing

The Board believes that the sensible use of modest financial gearing should enhance returns to shareholders over the longer term, being one of the advantages of the closed end structure. The Company has loan facilities totalling a commitment of £60 million with The Royal Bank of Scotland International Limited, London Branch. The facilities, which are unsecured, consist of a two-year fixed rate facility of £25m, which is fully drawn, and a two year £35m multi-currency revolving credit facility of which £15 million was drawn down at the year-end.

At 31 August 2023, the Company's net gearing position was 5.8%, compared to 9.0% at the end of August 2022.

The Manager continues to monitor closely gearing levels and bank covenants. As at 1 November 2023, the Company's net assets stood at £449.6 million and net gearing was 7.7%. These levels remain comfortably within the covenant limits.

It is the Manager's intention, subject to implementation of the Scheme, to draw down an additional amount under its revolving credit facility, post the combination of assets, for identified investment opportunities and to maintain approximately the Company's current gearing level.

## Discounts and Share Buybacks

The discount level of the Company's shares is closely monitored by the Board and share buybacks are undertaken when appropriate. During the year ended 31 August 2023, 5.9 million shares were bought back into treasury at a cost of £23.7 million (2022: 5.1 million shares were bought back into treasury at a cost of £24.0 million). Since 31 August 2023, a further 973,136 shares have been bought back into treasury at a cost of £3.45 million. The discount at the financial year end was 16.2% (2022: 13.1%). As at 1 November 2023, the discount was 16.9%.

## Revenue Account

The Company's revenue return per share was 7.06p for the year to 31 August 2023 (2022 – 6.38p). The Board has declared a final dividend of 6.6p per Ordinary share (2022 – 6.5p) which, if approved by shareholders at the Annual General Meeting ("AGM"), will be paid on 15 December 2023 to shareholders on the register on 27 October 2023. As this date precedes the proposed implementation of the Scheme, New Dawn shareholders who elect to receive the Company's shares as part of the Scheme, will not receive this dividend.

## Composition of the Board

As previously outlined, it is intended that, subject to New Dawn shareholders' approval of the Scheme, Donald Workman, Stephen Souchon and Nicole Yuen will be appointed as non-executive Directors of the Company. As such, the Board will then, initially, consist of eight Directors, comprising the five current Directors of the Company and three New Dawn Directors. However, after a transition period that will end on 8 May 2024, the expected six-month anniversary of completion of the Scheme, it is intended that the number of Directors on the Board will be reduced to five, with Donald Workman, Charlie Ricketts and Gaynor Coley expected to retire from the Board at that time. Resolutions proposing the election of Donald, Stephen and Nicole are included in the Notice of AGM and will be proposed, subject to successful completion of the proposed combination with abrdn New Dawn.

### Investment Objective and Policy and Management Arrangements

At the Company's General Meeting held on 25 October 2023, shareholders approved certain amendments to the Company's investment objective and policy, including permitting investment in Australasia. This change was made to provide the Company's management team with greater geographic flexibility and to clarify and modernise the policy. The full policy is set out on page 19 of the Annual Report.

As part of the Scheme proposals, abrdn has also agreed to reduce its management fee from the effective date of the Scheme. The management fee payable by the Company to AFML will be reduced to 0.75% per annum (currently 0.85% per annum) on the first £350 million of the Company's NAV and 0.50% per annum on the Company's NAV in excess of £350 million.

Finally, Adrian Lim our portfolio co-manager has decided to retire from abrdn and, on behalf of the Board, I would like to take this opportunity to thank Adrian for his many years of service and dedication to the Company and we wish him all the very best in the future. Pruksa Iamthongthong will continue as joint lead portfolio manager and has been joined as co-manager by James Thom, who is currently co-manager of New Dawn.

### Annual General Meeting

The AGM returns to Scotland this year and will take place on 7 December 2023 at 9:00 a.m. in the Esk Suite, The Balmoral Hotel, 1 Princes Street Edinburgh EH2 2EQ.

The AGM provides shareholders with an opportunity to meet representatives from the Manager and ask any questions that they may have of either the Board or the Manager. I look forward to meeting as many of you as possible over light refreshments which will follow the AGM. Shareholders, whether attending the AGM or not, are encouraged to submit questions for the Board and/or the Manager, in advance, by email to **asia.dragon@abrdn.com**.

### Online Shareholder Presentation

In order to encourage as much interaction as possible with our enlarged shareholder base, we will be hosting another Online Shareholder Presentation, which will be held at 11 a.m. on 27 November 2023. At this event there will be a presentation from the Investment Manager followed by an opportunity to ask live questions of the Chairman, Senior Independent Director and the Investment Manager. The online presentation is being held ahead of the AGM to allow shareholders time to submit their proxy votes after the presentation but prior to the deadline for submitting proxies for the AGM should they so wish. Full details on how to register for the online event can be found at **https://www.workcast.com/register?cpak=6427494394082991**. We hope that many of our existing and new shareholders are able to attend.

### Migration of abrdn Savings Plans to interactive investor ("ii")

The Company's Manager, abrdn, has reviewed its current service provider for its investment trust share plans (abrdn Savings Plan, Children's Plan and ISA). In May 2022, abrdn completed the acquisition of ii and the UK's second largest, award-winning investment platform for self-directing private investors. Having considered the various options, abrdn has concluded its review and has decided to migrate its share plan customers to ii in December 2023, given the strength of the ii offering, its understanding of and enthusiasm for investment trusts and the strong representation of investment trusts in its customer portfolios. Plan participants who have queries in respect of the migration should raise them directly with abrdn's investor services team by email at inv.trusts@abrdn.com or by telephone on 0808 500 4000 or 00 44 1268 448 222 (Monday to Friday 9am to 5pm – call charges will vary).

## Outlook

Given prevailing concerns over global growth, US monetary policy and China, it seems unlikely that investor sentiment will change significantly in the immediate future. The global growth outlook remains clouded by the impact of tightened monetary policy in the developed world, which could add to financial system vulnerabilities, dampen credit growth and weigh on confidence. Commodity prices also add another layer of uncertainty to the inflation backdrop.

There are reasons to be more optimistic, however. In China, the government is clearly aware of the need to stimulate growth and there is evidence of this taking place in several sectors. This is expected to continue.

Elsewhere in Asia, as companies diversify their supply chains, this is benefiting economies and stock markets including Indonesia and Vietnam. Meanwhile, India is in the initial stages of a cyclical upswing and enjoying a demographic dividend that places the country well for sustainable long-term growth. Restructuring and reform are starting to take root as well.

Adding to this, most Asian countries only have low levels of borrowings, corporate earnings are forecast to grow in 2024 after a subdued 2023 and market corrections have created opportunities to invest in high quality companies at relatively attractive valuations.

The investment focus on quality companies remains undiminished. The Manager believes that good stock selection will be the major source of added value over the long term and it is committed to its quality, bottom-up investment process based on a disciplined evaluation of companies.

**James Will**
Chairman
2 November 2023

# Investment Manager's Review

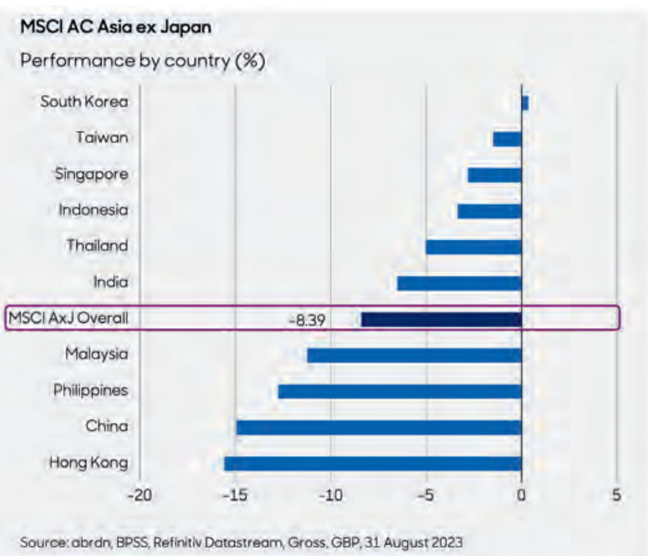
## Performance

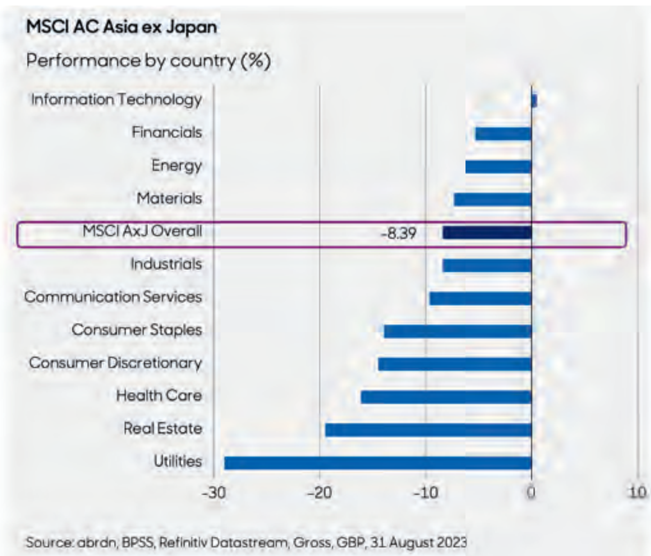
The MSCI AC Asia ex Japan benchmark index decreased by 8.4% in sterling terms over the year while the Company's net asset value (NAV) fell by 16.7%, in total return terms.

Contrary to some predictions of a recession at the end of 2022, the US economy remained strong in 2023 with continued economic and employment growth. Concerns over rising price pressures led to the Federal Reserve ("Fed") increasing interest rates to their highest levels in more than 22 years. In Asia, on the other hand, China's macroeconomic recovery was slower than expected, as the weakness of the property market weighed on the broader economy and consumer confidence. The weak macroeconomic data raised expectations of a major policy stimulus – the lack of which has meant that investors were disappointed and raised questions on China's commitment to economic growth. As shown in Chart 1, this led to underperformance of the Chinese and Hong Kong markets over the past year.

Elsewhere in Asia, markets in India, Taiwan and South Korea outperformed the region. India's earnings growth underpinned some rich equity valuations and it benefited from substantial foreign capital inflows, given that it is one of the few countries around the world still seeing solid growth in its economy and corporate sector. The technology-heavy markets of Taiwan and South Korea made strong gains as investors judged that the semiconductor cycle was nearing its trough and responded to rapid developments made in artificial intelligence (AI).

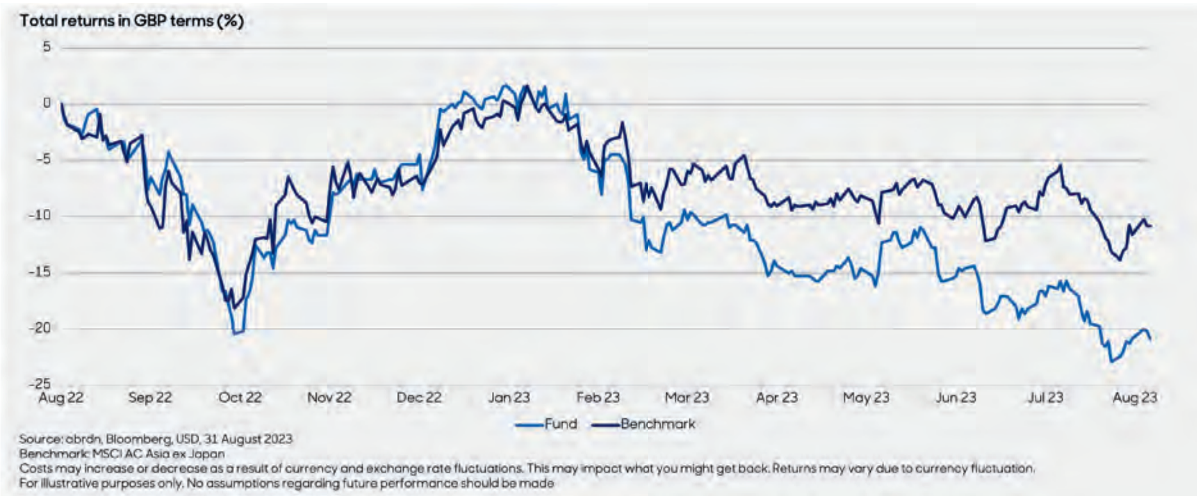
### Chart 1: Benchmark Index country and sector performance – 12 months to 31 August 2023



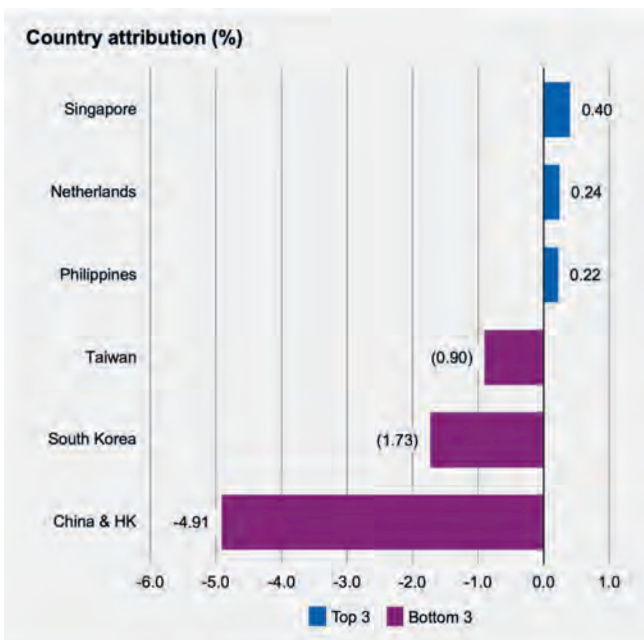



As shown in the chart below (Chart 2), most of the Company's underperformance arose at the start of 2023 and has continued since then:

## Chart 2: Portfolio underperformance has come mainly in the 2023 calendar year




## Chart 3: Performance attribution by country for year to 31 August 2023



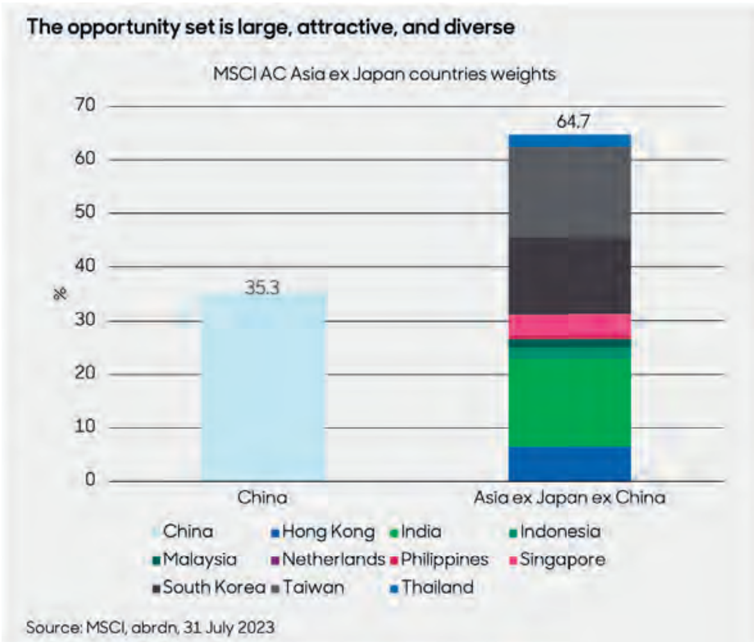

China and Hong Kong were the main detractors from the Company's performance, as shown in Chart 3. Mainland markets rose in the final quarter of 2022 on hopes that consumption would recover after the country's post-Covid reopening. However, the beginning of 2023 saw an inflection point with a reversal in sentiment as the consumption recovery, which our portfolio was positioned for, proved much weaker than anticipated. Accordingly, we suffered in terms of stock selection, where our positioning in what we deemed to be long term structural growth areas such as the consumer discretionary (**China Tourism Group Duty Free**), technology (**GDS, JD.com**) and healthcare (**Aier Eye Hospital Group**) sectors failed to perform. These were a function of a slower than expected pace of consumer spending recovery, the high savings rate as well as weak sentiment resulting from the anti-corruption drive. Investor flows have followed the theme of reforms to State Owned Enterprises ("SOE") – this in turn has benefited the more value-based sectors, such as telecommunications, energy and financials (where SOEs are a significant influence). We remain sceptical about whether such reform is bringing about real and lasting impact. It is also worth highlighting that many companies in these sectors are on the entity/sanction lists of the US Government, hindering the ability of most Western based institutions to invest in them.

But Asia is more than China (see chart 4 below) and outside of China, the rest of the region is benefiting from supply-chain diversification, as more and more companies look to diversify their supply chains. India and Vietnam are well positioned to benefit from these trends. The Made in India initiative has started to gain traction after 10 years, post a series of reforms that help to improve the ease of doing business in India. For those that have visited India, it is hardly surprising that India needs more power and infrastructure to cater to rising supply chain needs. The higher demand for power, and a rising mix of renewable power, is driving demand for grid upgrades. This, in turn, provides multi year earnings growth visibility for our utility holding in **Power Grid.** Similarly, improving prospects from the long-awaited property sector recovery have translated into higher demand for cement, which benefited our holding in leading industry cement manufacturer, **UltraTech Cement.**

Indonesia has not received as much attention as India but it is also an exciting market from our perspective. The country benefits from a demographic advantage, being the world's fourth-largest population, with most of its population aged between 15 and 64. It is also undergoing a structural transformation up the commodity value chain, from selling raw ore to producing value-added commodities. Global battery makers and electric vehicle producers are investing in Indonesia to secure a part of the nickel supply chain; this is especially beneficial when the world is moving towards renewables and electrification. All of these trends should prove supportive of economic growth and we believe our holding in **Bank Central Asia**, Indonesia's largest private sector bank, should continue to be a key beneficiary of this.

Turning to South Korea and Taiwan, we see them as key nodes in Asia's technology supply chains, which are well positioned for structural growth related to the rollout of 5G, big data and digital interconnectivity. Although our holdings here contributed to our underperformance against the index, the rapid advances in artificial intelligence are expected to be a major driver of demand for semiconductors over the coming years and many of Asia's companies, including several of our holdings, should be key beneficiaries of this over the medium term. We view generative AI as a game changer. When it comes to generative AI applications, ChatGPT is just the tip of the iceberg and demand for AI has accelerated much faster than expected, with the server and networking supply chain among the winners in this rapidly growing market. We see the content upgrade and architecture redesign as a multi-year process, going hand in hand with the growth of generative AI applications, with ChatGPT among the first of many more to come. Our core holdings in both **Samsung Electronics** and **Taiwan Semiconductor Manufacturing Corp (TSMC)**, are well positioned to benefit from this trend. In the case of the former we see particular value in the preference shares, where their discount to the ordinary shares has widened sharply.

## Chart 4: Asia is more than just China




## Portfolio

When reviewing the portfolio, and given the uncertain outlook, we focused, firstly, on adding to companies with higher near-term earnings visibility. We added to **Larsen & Toubro**, the leading infrastructure conglomerate in India whose order book has benefited from capital expenditure spending in India. As mentioned, we continue to back Power Grid as well as TSMC, where we have strong visibility over future earnings.

Secondly, we focussed on our highest "quality" positions. We have increased our semiconductor and technology hardware exposure as the inventory cycle reached a bottom. For example, we initiated a position in **ASM International**, the global leader in advanced deposition semiconductor equipment (more details in the case study). The aforementioned TSMC would also fall into this category, as would Samsung Electronics, both trading on attractive valuations.

Thirdly, while consumer confidence remains low in China overall, the end of Covid-related restrictions is nonetheless boosting businesses with inelastic demand and valuations have substantially de-rated in some cases. For example, we have initiated a position in **Aier Eye Hospital Group**, China's leading eyecare specialist chain, where we expect patient traffic to normalise after the disruptions caused by the pandemic. We have added to our highest conviction holdings in the China internet space. In this sector **Tencent** stands out on recovering advertising spending despite the weak macroeconomic backdrop. Its gaming business also showed signs of recovery as games approvals resumed. Similarly we have built up the position in the online food delivery and platform business, **Meituan**.

There were some holdings that we exited on fundamental concerns, such as **Longi Green Energy**. Despite retaining their cost advantage, Longi's technological edge has been eroded due to technological transition and we see evidence of oversupply in the solar value chain that we expect to persist in the medium term. Another was **Foshan Haitian**, where, although the soy sauce maker retains a strong brand and good long-term potential, we see better prospects elsewhere. As a result of this, our holdings in China have become fewer and more focused on those companies where we see the highest quality and best earnings visibility.

# Investment Manager's Review

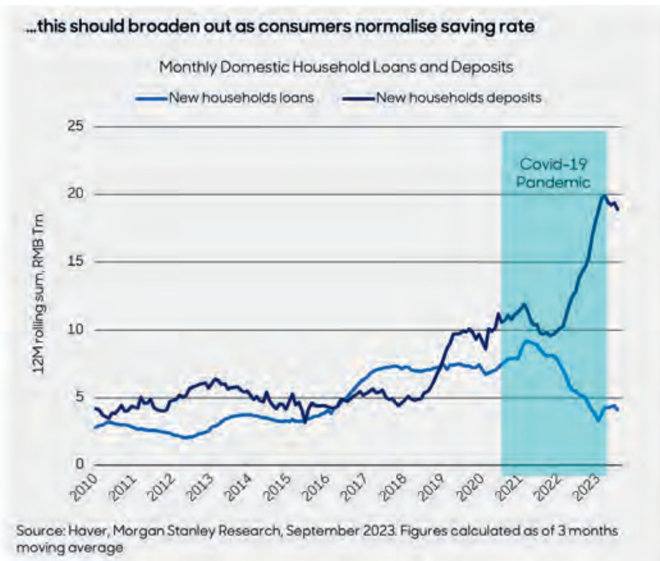
## Continued

### Outlook

We have seen a material sell-off in China equity markets this year, sentiment towards China remains weak, and there are certainly reasons for caution. Some important areas of the Chinese economy are still seeing persistent weakness, particularly the real estate sector, and consumer sentiment remains soft. That said, we are seeing some improvement in the services sector with encouraging demand trends, for example, in restaurant services, automotive sales and online goods sales. As another indicator, domestic travel spending during the Golden Week holiday in October was only marginally lower than pre-Covid levels. Domestic savings rates also remain unusually high pointing to significant pent-up demand across Chinese households, see Chart 5.

Whilst major 2008-style stimulus measures have been absent, since July we have seen the Chinese authorities selectively intervene in the economy with supportive policy measures and financial conditions have also been accommodative. This points to a willingness and desire by the government to bring stability to the property market and to ensure moderate growth is maintained. If successful, this should help bolster consumer sentiment and ultimately convert some of that pent-up demand into spending. The timing of all this is unclear and rising geopolitical tensions add further complexity, but what is clear is that there has been a material de-rating in the Chinese market and possible over-shooting, and for long term investors this is creating opportunities to invest in some very high quality businesses with still healthy medium term growth prospects at very attractive valuations.

### Chart 5: China is not all bad news

While accepting cloudy macro-economic conditions, rising geopolitical tensions and conflicts in many parts of the world, in Asia we have more cause to be optimistic:

- earnings growth is expected to improve into 2024 with consensus forecasts of 18% earnings growth for the region, following a flattish year in 2023;
- as mentioned, valuations are attractive; and
- most Asian countries have relatively low levels of borrowing and more benign inflationary conditions.

Over the long term, we particularly favour attractive opportunities around these structural themes:

- **Aspiration**: Rising affluence in Asia is leading to fast growth in premium consumption in areas including personal care products, financial services and food and beverage;
- **Building Asia**: Urbanisation and an infrastructure boom is set to benefit property developers and mortgage providers among others;
- **Digital Future**: Growing integration amid the widespread adoption of technology means a bright future for plays on gaming, internet, fintech and tech services like the cloud;
- **Going Green**: Policy makers globally are committing to a greener and lower carbon future and Asia is in the driver's seat. Plays on renewable energy, batteries, electric vehicles, related infrastructure, and environmental management all have a bright future. Grid parity will be game-changing;
- **Health & Wellness**: Asia is home to a diverse range of companies leading advancements in biotech and medical device technology. Our holdings include plays on contract research, vaccinations, pharmaceuticals and diagnostic products; and
- **Tech Enablers**: Asia tech supply chains are well positioned for structural growth related to the rollout of 5G, big data and digital interconnectivity.

**Pruksa Iamthongthong and James Thom**
abrdn (Asia) Limited
2 November 2023

# Overview of Strategy

## Business Model

The business model of the Company is to operate as an investment trust for UK capital gains tax purposes in line with its investment objective.  The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 August 2023 so as to enable it to comply with the relevant eligibility conditions for investment trust status as defined by Section 1158 of the Corporation Tax Act 2010.

## Investment Policy (*up to 25 October 2023*)

For the period up to the General Meeting held on 25 October 2023 the Company's Investment Policy was as follows:

**Investment Objective**

To achieve long-term capital growth through investment in Asia, with the exception of Japan and Australasia. Investments are made primarily in stock markets in the region, principally in large companies. When appropriate, the Company will utilise gearing to maximise long term returns.

**Investment Policy**

The Company's assets are invested in a diversified portfolio of securities in quoted companies spread across a range of industries and economies in the Asia Pacific region, excluding Japan and Australasia. The shares that make up the portfolio are selected from companies that have proven management and whose shares are considered to be attractively priced. The Company invests in a diversified range of sectors and countries. Investments are not limited as to market capitalisation, sector or country weightings within the region.

The Company's policy is to invest no more than 15% of gross assets in other listed investment companies (including listed investment trusts).

The Company complies with Chapter 4 of Part 24 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 and does not invest more than 15% of its assets in the shares of any one company.

When appropriate the Company will utilise gearing to maximise long-term returns, subject to a maximum gearing level of 20% of net assets imposed by the Board.

The Company does not currently utilise derivatives but keeps this under review.

## Investment Policy (*from 25 October 2023*)

Following the receipt of approval from shareholders at the General Meeting held on 25 October 2023 the Company's new Investment Policy is as follows:

**Investment Objective**

The Company aims to achieve long-term capital growth principally through investment in companies in the Asia Pacific region, excluding Japan (the "Investment Region").

**Investment Policy**

***Asset allocation***

The Company's assets are invested principally in a diversified portfolio of public securities of companies that are incorporated, domiciled or listed in the Investment Region. The Company invests in a diversified range of sectors and countries. Investments are not limited as to market capitalisation, sector or country weightings within the Investment Region.

The Company may invest, directly or indirectly, up to 30 per cent. of its gross assets in public securities of companies which are not incorporated, domiciled or listed in the Investment Region but which generate more than 50 per cent. of their annual turnover or revenue from the Investment Region, all as measured at the time of the Company's investment.

The Company will primarily invest in equities and equity-related securities (including, but not limited to, preference shares, depositary receipts, convertible unsecured loan stock, rights, warrants and other similar securities).

For the avoidance of doubt, however, the Company may, in pursuance of the investment objective:

- hold cash and cash equivalents, including money market mutual funds (which is not subject to any investment limit);
- hold equity-linked derivative instruments (including options and futures on indices and individual securities) which are primarily exposed to the Investment Region; and
- invest in index funds, listed funds, open-ended funds, mutual funds and exchange traded funds that invest primarily in the Investment Region.

***Risk diversification***

The Company's aggregate exposure to any single holding or issuer (or issuer group), whether direct or indirect, will not exceed 15 per cent. of its gross assets (calculated at the time of investment).

In order to comply with the Listing Rules, the Company will not invest more than 10 per cent. of its gross assets in other listed closed-ended investment funds, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other listed closed-ended investment funds. Additionally, in any event, the Company will itself not invest more than 15 per cent. of its gross assets in other listed closed-ended investment funds.

### *Gearing*

The Company may deploy gearing to seek to enhance long-term capital growth. The Company may be geared through bank borrowings, the use of derivative instruments that have the effect of gearing the Company's portfolio, and any such other methods as the Board may determine. Gearing will not exceed 20 per cent. of the Company's net asset value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate.

### *Derivatives*

With prior approval of the Board, the Company may use derivatives for the purpose of efficient portfolio management (for the purpose of reducing, transferring or eliminating investment risk in its investment portfolio, including protection against currency risk) and for investment purposes.

Notwithstanding the above, the Company does not intend to utilise derivatives or other financial instruments to increase the Company's gearing in excess of the limit set out in 'Gearing' above, and any restrictions set out in this investment policy shall apply equally to exposure through derivatives.

## Company Benchmark

The total return of the MSCI All Country Asia (ex Japan) Index (sterling adjusted).

## Alternative Investment Fund Manager ("AIFM")

The AIFM is abrdn Fund Managers Limited, (aFML or the "Manager") which is authorised and regulated by the Financial Conduct Authority.

The Company's portfolio is managed on a day-to-day basis by abrdn (Asia) Limited ("abrdn Asia" or the "Investment Manager") by way of a delegation agreement. abrdn Asia and aFML are both wholly owned subsidiaries of abrdn plc.

## Achieving the Investment Policy and Objective

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 to the Investment Manager. The Investment Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct contact by its fund managers and analysts. Stock selection is the major source of added value. No stock is bought without the Investment Manager having first met management, either in person, where possible, or virtually. The Investment Manager evaluates 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 evaluated by reference to key financial ratios, the market, the peer group and business prospects. Stock selection is key in constructing a diversified portfolio of companies.

A comprehensive analysis of the Company's portfolio by country and by sector is disclosed on pages 45 to 47, including a description of the ten largest investments, the full investment portfolio by value and sector/geographical analysis. At 31 August 2023, the Company's portfolio consisted of 53 holdings.

Gearing is used to leverage the Company's portfolio in order to enhance returns when this is considered appropriate to do so. At 31 August 2023, the Company's net gearing was 5.8%.

## Principal and Emerging Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. There are a number of other risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has considered the Company's principal and emerging risks, which include those that would threaten its business model, future performance, solvency, liquidity or reputation.

The Company's risks are regularly assessed by the Audit & Risk Committee and managed by the Board through the adoption of a risk matrix which identifies the key risks for the Company, including emerging risks, and covers strategy, investment management, operations, shareholders, regulatory and financial obligations and third-party service providers. A deep dive review of the Risk Register has been performed during the year.

# Overview of Strategy

## Continued

The principal risks and uncertainties facing the Company, which have been identified by the Board, are described in the table below, together with the mitigating actions.

The Board notes that there are a number of contingent risks stemming from the global geo-political environment that may impact the operation of the Company.

Inflation and the resultant volatility that it created in global stock markets continued to be a key risk during the financial year, as well as the ongoing tensions between China and Taiwan, China and the West, and the Russian invasion of Ukraine, all of which created geo-political uncertainty which further increased market risk and volatility.

The Board is also very conscious of the risks resulting from the increased ESG challenges. The recent scrutiny of human rights violations in China by Western governments is one example of the need for continued vigilance and engagement regarding supply chains and the fair treatment of workers. Likewise, as climate change pressures increase, the Board continues to monitor, through its Manager, the potential risk that investee companies may fail to maintain acceptable standards.

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.

| Risk | Mitigating Action |
|---|---|
| **Investment Risk**<br>• The Company's investment performance is the most critical factor to the Company's long-term success.<br>• The Company is exposed to the risk of Sustained Underperformance as a result of implementing an unattractive investment strategy<br>• The Company is exposed to the risk of Portfolio Stock Concentration as a result of the combined market share of the Manager's investments<br>• The Company is exposed to ESG Risk in the event that its investee companies act unethically, undertake environmentally detrimental practices or fail to integrate ESG factors adequately<br>**Risk Unchanged during the year** | The Board continually monitors the investment performance of the Company, taking account of stock-market factors, and reviews the Company's performance compared to its benchmark index and peer group at every Board Meeting.<br>A formal annual review is undertaken by the Management Engagement Committee. The Board has regard to the skills, depth of resources and wider capability of the abrdn group in arriving at its conclusions.<br>The Board and Manager communicate with major shareholders regularly to gauge their views on the Company, including performance.<br>At the AGM in 2021, shareholders voted in favour of the introduction of a performance-related conditional tender offer, which will take place every five years. The first performance-related period runs from 1 September 2021 to 31 August 2026.<br>At each Board meeting the Board reviews the concentration and liquidity risk of the portfolio including the number days required to liquidate the portfolio.<br>The Manager undertakes extensive due diligence on each investment prior to purchase including a review of the ESG credentials. Post purchase the Manager continues to monitor and actively engage with investee company managements. |

| Risk | Mitigating Action |
|---|---|
| **Operational Risk**<br>• The Company is dependent on a number of third-party providers, in particular those of the Manager, depositary and registrar. Failure by any service provider to carry out its contractual obligations could have a detrimental impact or disruption on the Company operations, including that caused by information technology breakdown or other cyber-related issues.<br>**Risk Unchanged during the year** | The Board reviews the performance of the Manager on a regular basis and its compliance with the management contract formally on an annual basis. As part of that review, the Board assesses the Manager's succession plans, risk management framework and marketing activities<br><br>The Audit & Risk Committee reviews reports from the Manager on its internal controls and risk management (including an annual ISAE Report) and considers assurances from all its other significant service providers on at least an annual basis, including on matters relating to business continuity and cyber security. The Audit & Risk Committee meets representatives from the Manager's Compliance and Internal Audit teams on at least an annual basis and discusses any findings and recommendations relevant to the Company. Written agreements are in place with all third-party service providers.<br><br>The Manager monitors closely the control environments and quality of services provided by third parties, including those of the Depositary, through service level agreements, regular meetings and key performance indicators.<br><br>A formal appraisal of the Company's main third-party service providers is carried out by the Management Engagement Committee on an annual basis. |
| **Governance and Regulatory Risk**<br>• The Company operates in a complex regulatory environment and faces a number of regulatory risks. Serious breaches of regulations, such as the tax rules for investment companies, the FCA's Listing Rules and the Companies Act.<br>**Risk Unchanged during the year** | The Board receives updates on relevant changes in regulation from the Manager, industry bodies and external advisers and the Board and Audit & Risk Committee monitor compliance with regulations by review of internal control reports from the Manager. Directors are encouraged to attend relevant external training courses. |
| **Major Events and Geopolitical Risk**<br>• The Company is exposed to supply chain risk, stock-market volatility or illiquidity as a result of a major market shock due to a national or global crisis.  The impact of such risks, associated with the portfolio or the Company itself, could result in disruption of the operations of the Company and losses.<br>• The Company is exposed to the impact of Live Conflict, sanctions and instability in the region as well as the indirect impact of global conflicts<br>• The Company is exposed to Pandemic Risk which could result in disruption to supply chains<br>• The Company is exposed to the risk of a major environmental event as a result of the consequences of climate change<br>**Risk Unchanged during the year** | Exogenous risks over which the Company has no control are always a risk. The Company does what it can to address these risks where possible, not least operationally and to try and meet the Company's investment objectives.<br><br>As part of its investment processes, the Manager regularly assesses the Company's portfolio as a whole, and each constituent part, and, during the financial year, remained in close communication with the underlying investee companies in order to navigate and guide the Company through macroeconomic and geopolitical challenges.<br><br>The Manager's focus on quality companies with sustainable business models and robust finances, the diversified nature of the portfolio and a managed level of gearing all serve to provide a degree of protection in times of market volatility.<br><br>The Board discusses issues affecting the region at each Board meeting and the Manager has an effective business continuity in place to ensure that material processes will continue to operate. The Audit & Risk Committee reviews controls reports from third party service providers.<br><br>The Manager undertakes due diligence on investee companies prior to and post purchase and provides updates at each Board meeting. |

# Overview of Strategy

## Continued

| Risk | Mitigating Action |
|---|---|
| **Shareholder and Stakeholder Risk**<br>• The Company is exposed to the risk of Shareholder Dissatisfaction, Activism and Influence stemming from a failure to adapt to changes in the market and investor demand<br>• Liquidity Risk to shareholders due to share price trading at a discount to its underlying NAV and reduced investor sentiment<br>**Risk Unchanged during the year** | The Board regularly monitors the marketplace for changes in sentiment.<br>The Board regularly reviews the performance of the Company against the benchmark and peer group.<br>The Board monitors the discount level of the Company's shares against the peer group and has in place an active buyback mechanism whereby the Manager is authorised to buy back shares within certain limits.<br>The Board and Manager engage regularly with shareholders to understand their views on key topics including discount volatility and shareholder views are discussed at each Board meeting.<br>The Manager conducts extensive PR and promotional activities during the year.<br>Shareholders are given the opportunity to vote on continuation at every fifth AGM and there is a conditional performance-linked tender offer mechanism in place. |

The principal risks associated with an investment in the Company's shares can be found in the pre-investment disclosure document ("PIDD") published by the Manager, which is available from the Company's website: **www.asiadragontrust.co.uk**.

## Performance

### Key Performance Indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators ("KPIs") are established industry measures and are detailed below with further analysis provided in the Chairman's Statement.

| KPI | Description |
|---|---|
| **Net asset value and share price (total return)** | The Board monitors the NAV and share price performance of the Company over different time periods. Performance figures for one, three and five years are provided in the Results section on page 35. |
| **Performance against benchmark** | Performance is measured against the Company's benchmark, the MSCI All Country Asia (ex Japan) Index (in sterling terms), on a total return basis. Charts showing the Company's performance against benchmark by quarter during the financial year, and over one, three and five years, and are shown on page 36.<br><br>The Board also considers peer group comparative performance over a range of time periods, taking into consideration the differing investment policies and objectives employed by those companies. |
| **Discount/Premium to net asset value** | The discount/premium relative to the NAV 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 discount relative to the NAV is shown on page 37. |

## Promoting the Success of the Company

The Board is required to report on how it has discharged its duties and responsibilities under section 172 of the Companies Act 2006 (the "s172 Statement"). Under section 172, the Directors have a duty to promote 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 the Company's stakeholders and the impact of the Company's operations on the environment.

The Company consisted of five Directors at 31 August 2023 and has no employees or customers in the traditional sense. As the Company has no employees, the culture of the Company is embodied in the Board of Directors. The Board seeks to promote a culture of strong governance, high standards of business conduct and to challenge, in a constructive and respectful way, the Company's third-party service providers and advisers, whilst considering the impact on the Company and other stakeholders.

The Board's principal concern has been, and continues to be, the interests of the Company's shareholders and potential investors and the need to act fairly between shareholders. The Manager undertakes an annual programme of meetings with the largest shareholders and investors and reports back to the Board on issues raised at these meetings. The Investment Manager, who is based in Singapore, will attend such meetings, where possible. The Board encourages all shareholders to attend and participate in the Company's AGM and Pre-AGM Investor Event and shareholders can contact the Directors via the Company Secretary. Shareholders and investors can obtain up-to-date information on the Company through its website and the Manager's information services and have direct access to the Company through the Manager's customer services team or the Company Secretary.

As an investment trust, a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services to the Manager and other third-party providers support the Company by providing secretarial, administration, depositary, custodial, banking and audit services.

# Overview of Strategy

## Continued

The Board undertakes a robust evaluation of the Manager, including investment performance and responsible ownership, to ensure that the Company's objective of providing capital growth for its investors is met, whilst taking ESG factors into account. The Board typically visits the investment region on an annual basis and meets with the Manager's on the ground investment teams. This enables the Board to conduct due diligence of the fund management and research teams. During the year the Board has met with the senior management team and the fund management team and attended investee company meetings alongside the Manager.

The portfolio activities undertaken by the Manager on behalf of the Company can be found in the Investment Manager's Review and details of the Board's relationship with the Manager and other third-party providers, including oversight, is provided in the Statement of Corporate Governance.

During the year, the Board continued to focus on the performance of the Manager in achieving the Company's investment objective within an appropriate risk framework.

In addition a significant amount of time was absorbed in the process of agreeing Heads of Terms with the board of abrdn New Dawn which are expected to lead to the successful Combination of the Company with abrdn New Dawn effective on 8 November 2023 (subject to abrdn New Dawn shareholder approval). As part of the proposals the Board focused on the benefits that would accrue to the Company's shareholders including:

1. the enhancement to the Company's profile resulting from the expected increase in market capitalisation and liquidity in the Company's shares;
2. the agreement of a new lower management fee and expected lower ongoing charges; and
3. the consolidation of a number of shareholders' holdings across the Company and New Dawn while also creating a more diversified shareholder base.

In addition to agreement of the Combination proposals a number of key decisions have been taken by the Board during the year, including:

- The Board has declared a final dividend of 6.6p per Ordinary share (2022 – 6.5p) which, if approved by shareholders at the Annual General Meeting, will be paid on 15 December 2023.
- The Board has continued to consider Board succession planning, as it recognises the benefits of regular Board refreshment, and looks forward to welcoming Donald Workman, Stephen Souchon and Nicole Yuen to the Board on 8 November 2023 subject to approval of the Combination proposals by the abrdn New Dawn shareholders.
- To continue the Board's discount control policy through the buyback of shares which provides a degree of liquidity to the market at times when the discount widens.
- The Board continues to believe that the sensible use of modest financial gearing should enhance returns to shareholders over the longer term. The Company has in place loan facilities totalling a commitment of £60 million with The Royal Bank of Scotland International Limited, London Branch. The facilities, which are unsecured, consist of a two-year fixed facility of £25m, which is fully drawn, and a two year £35m multi-currency revolving credit facility which has also been fully drawn.
- The Board continues to alternate the location of its AGM between Edinburgh and London to allow the Board to physically meet with shareholders in different locations. In order to encourage as much interaction as possible with shareholders, the Board has agreed to host an Online Shareholder Presentation, in advance of the AGM, to allow as many shareholders as possible to engage with, and ask questions of, the Board.

In summary, the Directors are cognisant of their duties under section 172 and decisions made by the Board take into account the interests of all the Company's key stakeholders and reflect the Board's belief that the long-term sustainable success of the Company is linked directly to its key stakeholders.

### Duration

The Company does not have a fixed life, but shareholders are given the opportunity to vote on the continuation of the Company at every fifth Annual General Meeting. The last continuation vote was passed at the AGM on 15 December 2021. The frequency of continuation votes was extended from triennial continuation votes to five-yearly continuation votes at the AGM in 2021 in order to align them with the assessment period for performance-related conditional tender offers approved by shareholders at the AGM in 2021. The next performance related conditional tender offer will cover the period from 1 September 2021 to 31 August 2026 and the continuation vote is due to take place at the AGM in December 2026.

## Board Diversity

The Board's statement on diversity is set out in the Statement of Corporate Governance. At 31 August 2023 there were three male Directors and two female Directors. The Company does not currently meet the target that at least one Director is from a minority ethnic background as set out in LR 9.8.6R (9)(a)(iii). However, subject to the successful completion of the abrdn New Dawn Combination proposals, the Board expects to be compliant for the year ending 31 August 2024.

## Environmental, Social and Human Rights Issues

The Company has no employees and therefore no disclosures are required to be made in respect of employees.

More information on socially responsible investment is set out on pages 26 to 34.

## Viability Statement

In accordance with the provisions of the Listing Rules and UK Corporate Governance Code the Board has assessed the viability of the Company. The Company is a long-term investor, and the Board believes it is appropriate to assess the Company's viability over a five year horizon which reflects the Investment Manager's long-term approach. The Directors believe this period reflects a proper balance between the long-term horizon and the inherent uncertainties of looking to the future. This conclusion is consistent with the Going Concern Assessment on page 56.

In assessing the viability of the Company, the Directors have carried out a robust assessment of the following factors:

- the principal risks set out in the Strategic Report on pages 19 to 22 and the steps available to mitigate these risks;
- the liquidity and diversity (in both sector and geography) of the Company's investment portfolio. The Company is invested in readily realisable listed securities in normal market conditions and there is a spread of investments held. Stress testing has confirmed that shares can be easily liquidated, despite the more uncertain and volatile economic environment;
- the level of revenue surplus generated by the Company;
- the level of gearing is closely monitored by the Board. Covenants are actively monitored and there is adequate headroom in place. The Company has a fixed term loan facility of £25 million and has drawn down £15 million under the multi-currency revolving loan facility of up to £35 million. Both facilities are due to mature in July 2024 and closer to the time the Board will review options for renewing the facilities. If market conditions are not favourable and acceptable terms are not available the Company has the ability to repay its gearing through proceeds from equity sales from the portfolio. Subject to the successful Combination with abrdn New Dawn, the Manager currently expects to maintain gearing broadly at the current level, subject to market conditions at the time.
- the successful passing of the continuation vote at the Company's AGM in 2021, the change of frequency of continuation vote from every three years to every five years (with the next continuation vote due to take place at the AGM in 2026), and the introduction of the five-yearly performance-related conditional tender; and
- the overwhelming support received from the Company's shareholders at the General Meeting held on 25 October 2025 (over 99.9% of votes received in favour, representing over 75% of the shares in issue).

Taking into account all of these factors, the Company's current position and the potential impact of the principal risks and uncertainties faced by the Company, the Board has concluded that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of this assessment to 31 August 2028.

In making its assessment, the Board has considered that there are other matters that could have an impact on the Company's prospects or viability in the future, including the current rising inflation, recession risk, a further increase in geo-political tension in the Asian region, war in Ukraine, economic shocks or significant stock market volatility caused by other factors, and changes in regulation or investor sentiment.

**The Strategic Report has been approved by the Board and signed on its behalf by:**
**James Will,**
Chairman
2 November 2023

# Our Manager's Approach to ESG

The Company aims to outperform whilst maintaining a better ESG profile and a lower carbon footprint than the benchmark. This section of the Annual Report aims to present more information on the Investment Manager's approach to integrating ESG into its investment decision-making and the implications for the Company.

## ESG Highlights for Asia Dragon

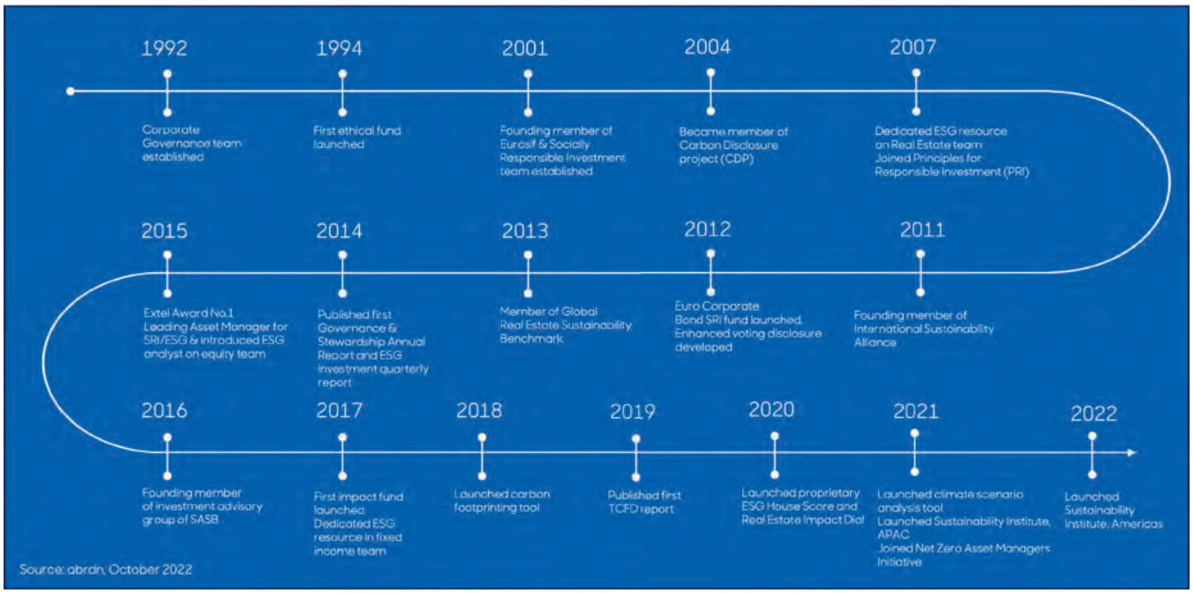
- abrdn believes that ESG factors are financially material and can meaningfully affect a company's performance.
- abrdn has been actively integrating ESG into its investment decision-making process for 30 years.
- Deep, on the ground ESG resources and expertise enables abrdn to glean insights from company visits and obtain an ESG information advantage.
- The Company's portfolio is ESG BBB rated by MSCI, as is the Benchmark
- The Company's carbon footprint as measured by Economic Emission Intensity is 61.4% lower than that of its benchmark

| BBB | 61.4% | 99% | 30.8% | 100% |
|---|---|---|---|---|
| BBB-rated by MSCI ESG | Lower carbon intensity than the benchmark | of eligible AGMs / EGMs voted in last twelve months | of AGMs / EGMs with at least one vote cast against management | of abrdn researched companies include ESG analysis |

## What is ESG?

- **Environmental** factors relate to how a company conducts itself with regard to environmental impact and sustainability. Types of environmental risks and opportunities may include a company's energy and water consumption, waste disposal, land use and development and its carbon footprint.
- **Social** factors pertain to a company's relationship with its employees, vendors, and a broad set of societal stakeholders. Risks and opportunities include conditions and rates of pay, the company's initiatives on employee attraction and retention, gender discrimination and how a company is managing its supply chain, including for example the risk of forced and child labour.
- **Corporate Governance** factors may include the corporate decision-making structure, the independence of board members, treatment of minority shareholders, executive compensation and political contributions, capital allocation and the risk of bribery and corruption.

## The Manager's 30 Year Leadership in ESG Activities




abrdn is a signatory to the UN supported Principles for Responsible Investment (PRI) and has aligned its approach to that advocated by the PRI agenda. This aims to promote responsible investment as a way of enhancing returns and better managing risk.

PRI provides an intellectual framework to steer the massive transition of financial capital towards low-carbon opportunities. It also encourages fund managers to demonstrate climate action across four areas: investments; corporate engagement; investor disclosure; and policy advocacy.

## ESG at abrdn in Asia

abrdn is a pioneer in Asia Pacific markets and has a large, dedicated and highly experienced investment team consisting of over 40 equity investment professionals with a strong team culture. The team has been investing across the region since 1985, and is based in Singapore, Bangkok, Kuala Lumpur, Tokyo, Hong Kong and Shanghai, allowing the team to be close to the companies the Trust owns and markets it invests in.

On-desk regional ESG specialists, supported by the Investment Manager's central ESG team, work with the Asia Pacific equity team to provide insight on ESG themes and sectors in local markets

**c.40**
Investment Professionals

**Asia Pacific Equity Team**

- ESG risk and opportunities defined in every stock note
- Company engagement

**3**
On-desk ESG Specialists

**Asia ESG Specialists**

- Regional ESG expertise on themes & sectors
- ESG focussed engagement

**30+**
Sustainability Group

**Central ESG**

- Research on ESG themes, event-driven issues and global sectors
- Active stewardship on behalf of shareholders by voting and engaging to influence change

# Our Manager's Approach to ESG

## Continued

Furthermore, the abrdn Sustainability Institute was launched in September 2021. Bringing together sustainability experts from across the firm, the Institute's objectives are to deliver Asia Pacific-centric sustainability solutions and insights, build an Asia Pacific sustainable investing knowledge community and contribute to progress in regional sustainable investing.

### abrdn's Investment Process

Environmental, social and corporate governance factors (ESG) are central to the approach to active equity investing at abrdn. abrdn believes that ESG factors are financially material and can impact a company's performance, either positively or negatively. abrdn also believes that companies that are well managed, and consider long-term risks and opportunities around ESG issues, should outperform over the long term. It follows, then, that abrdn believes that ESG integration leads to better risk-adjusted returns for clients, and that having a better understanding of financially material issues allows abrdn to make better investments, and hence provide better outcomes, for clients. abrdn also uses its ESG approach to encourage higher standards and support companies that work towards a more sustainable and equitable world.

Understanding ESG risks and opportunities, alongside other financial metrics, is therefore an intrinsic part of abrdn's investment process.

**High quality research**

Fundamental investment understanding underpins our research

- ESG considerations integrated into investment approach
- Extensive in house and third party resource and experience
- In depth company, sector, industry and thematic research

**Connected teams**

Working together we deliver better investment results and innovation

- Specialised ESG Analyst for every regional team
- Centralised ESG team supporting all asset classes
- Collaboration with abrdn's Research Institute, Credit, Private Markets and Multi-Asset teams

**Active corporate engagement**

Stewardship is a fundamental component of our investment process

- Active, engaged and responsible stewards of our clients' money
- Active owners engaging and voting to drive positive changes in corporate behaviour
- Undertake informed and constructive engagement to improve performance

**Positive outcomes**

Delivering better risk adjusted returns

- Holistic insights enhance investment decision-making
- Management engagement improves corporate performance for clients and the wider society

abrdn's investment process considers both macro and micro ESG issues.

- Macro ESG factors are broad thematic issues that impact companies and the products and services they provide. These include issues like climate change, access to finance or access to healthcare. These are secular, industry-impacting trends that may present a clear risk or opportunity for a company.
- Micro ESG factors are company/industry specific issues that relate to how a company's products or services are made or delivered.

## abrdn's five stages of ESG integration:

- Idea generation: Understanding themes and dynamics inherent in sectors, countries, and companies, we are able to use ESG as a lens to generate new investment ideas for the portfolio. This could include companies that are well placed to help in climate transition or companies that are managing their supply chain in a way that makes them more attractive to global clients.
- Research: ESG disclosure by companies in Asia tends to be lower quality than might be observed in Europe or North America but while such disclosure means it may be challenging to collect information, it also means that extensive company due diligence by us can create investment opportunities.
- Buy / sell: At this stage we must weigh the decision to buy (or sell) a company. We have a quality threshold for investment and ESG is a fundamental and non-negotiable part of this.
- Portfolio Construction: Whilst a simplification, the better quality a company, and the more conviction we have in the company, the more of that company we might elect to buy (whilst being sensitive to valuations). ESG is a key part of the discussion around 'position sizing', or just how much of a company to buy.
- Engagement: We continue discussing ESG issues with senior management over the course of the investment, both to protect and to enhance the value of investments through constructive challenge and debate around strategy and execution, with the mutual aim of fostering sustainable shareholder returns.

## The Importance of Engagement

Engagement is an important part of the investment process: abrdn sees engagement not only as a right but as an obligation of investors. In its role as a responsible owner, abrdn engages actively and regularly with companies in which it is or may become an investor. abrdn believes that informed and constructive engagement helps to foster better companies, enhancing the value of our investments. There are generally two core reasons for engagement: to understand more about a company's strategy and performance, or encourage best practice and drive change.

Active engagement involves regular, candid communication with management teams (or boards of directors) of portfolio companies to discuss a broad range of ESG issues that are material to sustainable long-term returns, either positively or negatively, including both risks and opportunities. abrdn's focus is on the factors which it believes to have the greatest potential to enhance or undermine an investment case. Sometimes abrdn seeks more information, exchanges views on specific issues, encourages better disclosure; and at other times, abrdn encourages change (including either corporate strategy, capital allocation, or climate change strategy). abrdn's engagements cover a range of ESG issues, including but not limited to board composition, remuneration, audit, climate change, labour issues, human rights, bribery and corruption.

Moreover, and since ESG disclosure by Asian companies is often poor, these engagements give abrdn an opportunity to source additional information and potentially to:

- **Exploit an information gap**: if a company does not disclose ESG information and the market is unable to form a robust view of its quality, its shares may be priced inefficiently. Using abrdn's research capabilities including on-site, face to face visits, we are able to develop an informed view of every company and to exploit any pricing inefficiency that we judge may exist; and
- **Close the information gap**: if abrdn owns a company that is misunderstood by the market, abrdn can work constructively with the company's management team to encourage improved and enhanced disclosure, allowing the market to better understand, and hence better price, the company's securities.

# Our Manager's Approach to ESG

## Continued

In every engagement, abrdn has a wide pool of resources on which to draw. There is ESG expertise embedded within the active equity investment teams, and this is complemented through collaboration across asset classes, sharing research, experiences and understanding. abrdn's on-desk equity investment analysts are supported by on-desk ESG analysts, who bring specialist knowledge and capabilities to the process. In addition, abrdn also draws on the insights of abrdn's Research Institute.

In all cases the approach is to draw on experience as owners of companies, globally. As a large investor, and with a long history of investing in public market across multiple geographies and asset classes, abrdn is able to draw on the experience of its investment teams and constructively challenge management teams accordingly. This is an area of expertise that many of the portfolio companies are appreciative of; the ability to draw on insights garnered across industries and regions, and across company growth stages, is enabled by abrdn's global footprint of investment professionals.

ESG engagements are conducted with consideration of the 10 principles of the United Nations Global Compact and companies are expected to meet fundamental responsibilities in the areas of human rights, labour, the environment and anti-corruption.

Engagement is not limited to a company's management team. It can include many other stakeholders such as non-government agencies, industry and regulatory bodies, as well as activists and the company's customers and clients. During the period under review the breadth of issues covered in ESG specific company engagements for the Company covered Climate Change (including air quality and energy management), Environment (including waste and waste management, and supply chain management), Labour Management (including health and safety), Human Risk & Stakeholders, Corporate Behaviour (including Practices and Processes) and Corporate Governance.

A good example of this engagement in action is that of **Shenzhen Mindray Bio-Medical Electronics Co. Ltd**, China's largest medical equipment maker, listed on China's 'A Share' market, and a holding in the Company's portfolio. abrdn has been regularly engaging with Mindray since 2021 and was pleased to see that the company recently received a triple rating upgrade from MSCI from 'BB' to 'AA'. This upgrade was driven by improved disclosure by the company, a focus for our ongoing engagement with the company. More information on Mindray can be found in the case study on page 49.

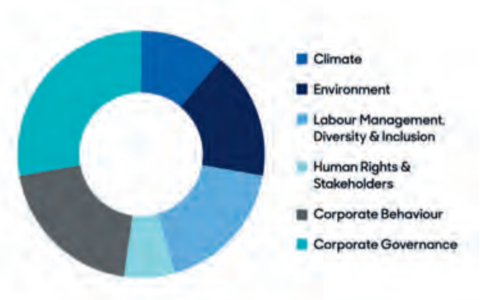
### ESG Engagements

abrdn regularly engages with companies it is invested in. The table below shows the engagements that have included ESG topics.

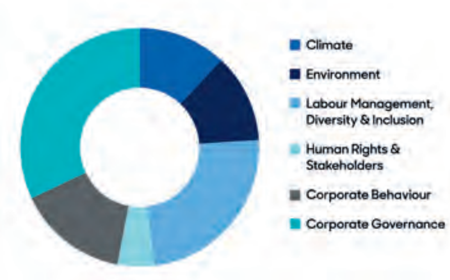
- In 2H22 abrdn met with 31 portfolio companies on ESG topics and had 72 engagements with them.
- In 1H23 abrdn met with 35 portfolio companies on ESG topics and had 72 engagements with them.

This does not include positions abrdn has moved out of or are considering. Below are the themes engaged on:

**2H22**




**1H23**



## Voting Activity

The Investment Manager draws on expertise across desks and throughout the firm to vote consistently in line with the abrdn voting policy. Time period referenced is preceding 12 months (i.e. 2H22 and 1H23):

| Voting Summary | Total |
|---|---|
| How many meetings were you eligible to vote at? | 105 |
| How many meetings did you vote at? | 104 |
| How many resolutions were you eligible to vote on? | 909 |
| What % of resolutions did you vote on for which you were eligible? | 98.7% |
| Of the resolutions on which you voted, what % did you vote with management? | 93.1% |
| Of the resolutions on which you voted, what % did you vote against management? | 6.5% |
| Of the resolutions on which you voted, what % did you abstain from voting? | 0.5% |
| In what % of meetings, for which you did vote, did you vote at least once against management? | 30.8% |

abrdn is a strong believer in investing in, supporting, and incentivising entrepreneurial management teams. Alignment of interests is an important driver of sustainable shareholder returns. To that end, the Investment Manager ordinarily encourages the adoption of thoughtfully constructed share-based reward plans, given that these can serve to align and incentivise management teams. However, the Investment Manager scrutinises such proposals carefully; performance conditions that would lead to the release of shares must be sufficiently but appropriately stretching (the Investment Manager is wary of encouraging excessive risk taking), performance periods must be similarly appropriate, and the pool of eligible recipients must be designed so as to achieve alignment without undie dilution of the Company's interests.

It was in this context that the Investment Manager considered a proposal in November 2022 to approve a series of share reward plan-related resolutions at **FSN E-Commerce Ventures Ltd** (more commonly known as Nykaa). The company sought to introduce a stock option plan, but included a number of provisions that troubled the Investment Manager's analysts. First, the scheme permitted options to be issued at a discount to market price. Second, performance conditions were not disclosed. Third, options could be granted not only to the company's employees but also to employees of its associate companies. And fourth, the respective board committee could permit options to vest even if performance conditions had not been met.

Given the design of the scheme, the lack of information available, and the broad potential pool of recipients, the Investment Manager did not support the proposals, voting against the resolutions. Moreover given there had been a number of corporate governance developments that had provided cause for concern, the Investment Manager subsequently sold the Company's shares in the company, and exited the position.

## Measurement of ESG, including our Proprietary ESG Scoring System

Some ESG issues can be quantified, for example the diversity of a board, the carbon footprint of a company, and the level of employee turnover. But not everything that matters can be measured. While diversity can be monitored, measuring inclusion is more of a challenge. Although it is possible to measure the level of staff turnover, it is more challenging to quantify corporate culture. Nevertheless, after researching and analysing a company, and after meeting senior management, abrdn allocates a company an ESG score of between one and five. This score of one to five is

# Our Manager's Approach to ESG

## Continued

applied across every stock covered globally. Examples of each category and a small sample of the criteria used are detailed below:

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

### We also make use of third party ESG data for two primary reasons:

- To help build a view of a company: third party ESG data provides insights into a company based on that company's disclosure. Whilst that disclosure may have limits there is still merit in reading research from a speciality researcher. We buy in research as a "sense check" against internal analysis to ensure that issues or developments are not missed or weighted incorrectly.
- To provide a proxy for market perspective: abrdn uses third party data and scoring as a proxy for market perception and make use of these scores to compare with internal assessments. If the market views a company as low quality and abrdn sees the company as not only higher quality but also on a positive trajectory, it may be appropriate to exploit this information asymmetry. The market may react and change perceptions over time as performance and disclosure on ESG issues improves, but abrdn is interested in the journey as much as arrival.

Taking an independent view on ESG allows abrdn to anticipate upgrades and drive change through engagement. External research agencies primarily use backward looking data to create ESG ratings and in doing so form the market view of a company's ESG credentials. Through fundamental research abrdn forms a forward-looking view of company's ESG credentials and anticipates changes, attempting to take advantage of this inefficiency.

### Climate Change

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

- Transition risks and opportunities. Governments can take robust climate change mitigation action to reduce emissions and transition to a low-carbon economy. This is reflected in targets, policies and regulation and can have a considerable impact on high-emitting companies.
- Physical risks and opportunities. Insufficient climate change mitigation action will lead to more severe and frequent physical damage. This results in financial implications, including damage to crops and infrastructure and the need for physical adaptation such as flood defences

abrdn believes that Climate scenario analysis provides a forward looking, quantitative assessment of the financial impact of climate risks and opportunities on the value of assets under different climate pathways. As a result, abrdn works in partnership with Planetrics to quantify the impact of climate scenarios where a probability weighted view based on a range of off the shelf and bespoke scenarios is taken. This allows abrdn to model a quantitative financial impact under 15 different climate risk scenarios at both the stock level and at the Trust level.

abrdn joined the Net Zero Asset Management (NZAM) initiative to demonstrate its strong support for the global net zero 2050 goal. The core commitment is to support the goal of net zero greenhouse gas ('GHG') emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner'). It also commits to support investing aligned with net zero emissions by 2050 or sooner.

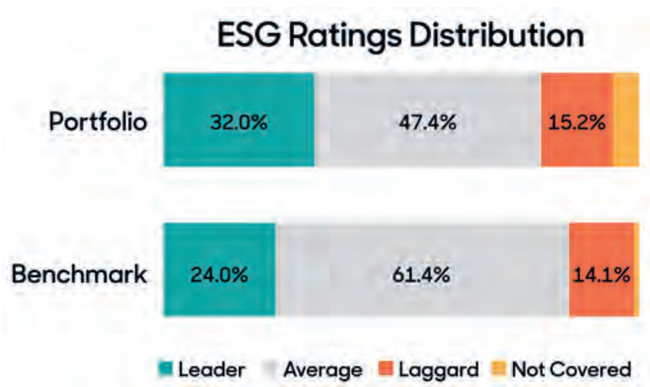
The Company is focused on real-world decarbonisation by investing in transition leaders and climate solutions rather than the fast removal of carbon intensive companies from our portfolios. abrdn engages with the highest carbon-emitting companies across the portfolio through a focused priority watchlist, with a focus on clear expectations and outcomes combined with time-bound milestones.

## How does the Asia Dragon portfolio measure up?

Whilst the many qualitative assessments of ESG undertaken are noted above, as well as the limitations of external third-party data, there is merit in demonstrating the ESG "quality" of the portfolio versus the reference benchmark. abrdn tracks the score of the portfolio within MSCI's ESG framework and compare this to a benchmark score. We also track the carbon intensity of the portfolio versus the reference benchmark.

| 18.6% | 50% | 6.4 years |
|---|---|---|
| Average percentage of women on portfolio company boards. | Average percentage of independent directors on portfolio company boards | Average tenure of directors on portfolio company boards (versus benchmark average 6.2 years) |

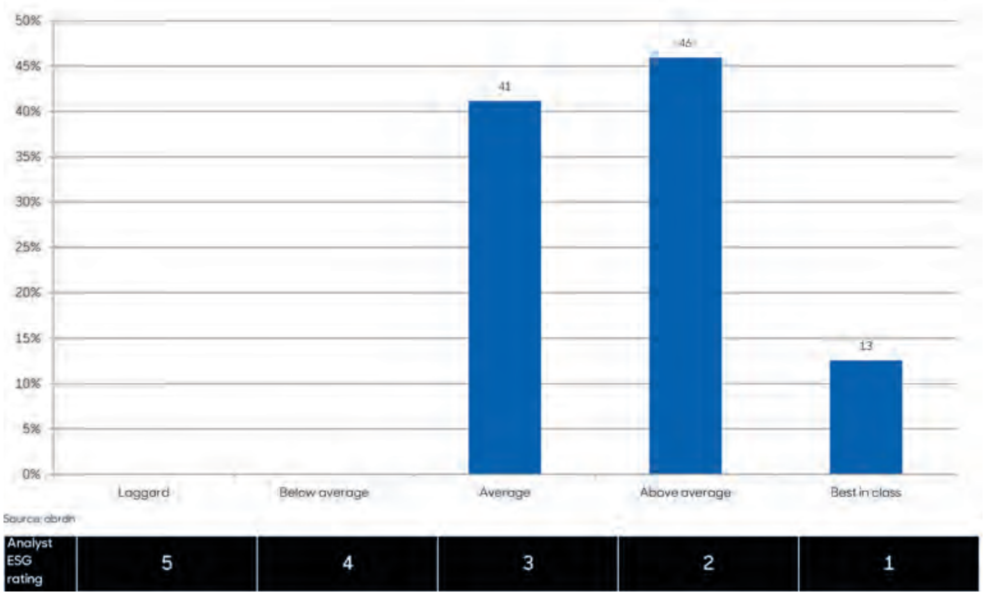
The Company's portfolio is ESG BBB rated by MSCI. This is similar to the benchmark rating of BBB. MSCI assesses that the portfolio contains more ESG "Leaders" than the benchmark:




Note however, that these are external ratings, assessed by MSCI based on publicly available information. On abrdn's proprietary ESG scoring system, which reflects the due diligence and research undertaken prior to and subsequent to investment, 13% of the companies in the portfolio are assessed to be Best in Class, and 46% of the companies in the portfolio assessed to be Above Average, consistent with the portfolio's focus on quality. A further 41% of the companies are assessed to be Average. abrdn continues to see generally positive momentum from companies in the portfolio in terms of ESG, in terms of both practices and disclosure, and it is encouraging to see continuing upgrades to abrdn's scores, often following extensive engagement. None of the portfolio is assessed to be Below Average, and the portfolio does not hold any companies assessed to be Laggards.

# Our Manager's Approach to ESG

## Continued




The Company's carbon footprint, as measured by Economic Emission Intensity, is 61.4% lower than that of its benchmark.

### Important Note

The Company does not specifically exclude any sectors from its investment universe. All investments have to pass a quality test and ESG issues are only part of the investment analysis.

abrdn may, for example, invest in, and vigorously engage with, a well-managed, capitalised and attractively valued fossil fuel company that is able to deploy a sizeable balance sheet and lower cost of capital to that of a renewables-only alternative.

It is also important to recognise that there may be periods in the future where it is impossible for abrdn to make sequential annual improvements in some ESG factors like carbon intensity. abrdn intends to maintain a lower carbon footprint relative to the benchmark but there may be times when investments are made in companies that currently have a higher footprint but have a commitment to improve this over time. abrdn will monitor and assess their commitment on a regular basis.

**abrdn (Asia) Limited**
2 November 2023

# Results

## Year's Highs/Lows

| | High | Low |
|---|---|---|
| Share price (p) | 453.5 | 338.3 |
| Net asset value (p) | 514.8 | 410.1 |
| Discount (%)[A] | –17.5 | –9.3 |

[A] Considered to be an Alternative Performance Measure.

## Performance (total return)

| | 1 year return % | 3 year return % | 5 year return % | Since 1/9/21[C] % |
|---|---|---|---|---|
| Share price[A] | –19.5 | –11.8 | +1.6 | –24.0 |
| Net asset value[AB] | –16.7 | –8.0 | +5.7 | –23.7 |
| MSCI AC Asia (ex Japan) Index (in sterling terms) | –8.4 | –2.4 | +8.6 | –14.9 |

[A] Considered to be an Alternative Performance Measure. Further details can be found on page 107.
[B] 1 year, 3 year and returns since 1 September 2021 are presented on an undiluted basis; 5 year return presented on a diluted basis as CULS in issue during those periods were "in the money"
[C] Introduction of performance-related conditional tender offer, which provides that, in the event that the NAV total return per share fails to equal or exceed the MSCI All Country Asia ex Japan Index (sterling adjusted) over a five year assessment period commencing 1 September 2021, the Board will put forward proposals to shareholders to undertake a tender offer.

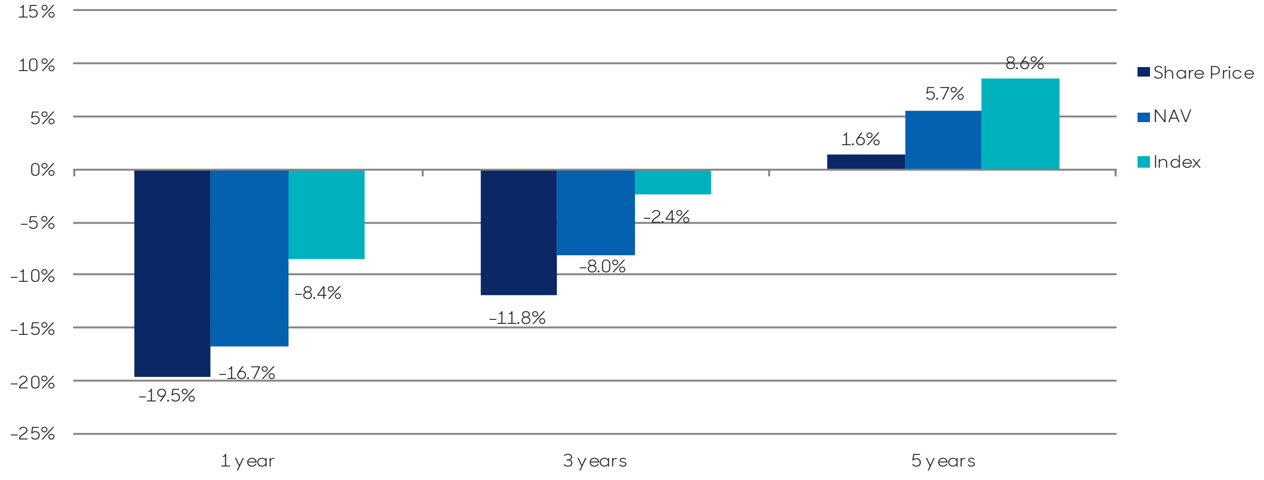
## Ten Year Financial Record

| Year ended 31 August | Equity shareholders' interest £'000 | Net asset value per Ordinary share p | Revenue return per Ordinary share p | Ordinary share price p | Share price discount % | Dividend per Ordinary share p | Expenses as a % of average shareholders' funds |
|---|---|---|---|---|---|---|---|
| 2014 | 603,077 | 307.10 | 3.43 | 272.50 | 11.3 | 2.20 | 1.23 |
| 2015 | 518,635 | 267.22 | 4.13 | 235.75 | 11.8 | 3.00 | 1.15 |
| 2016 | 664,159 | 348.62 | 4.50 | 302.00 | 13.4 | 3.20 | 1.14 |
| 2017 | 807,330 | 423.26 | 4.68 | 361.00 | 13.1 | 3.30 | 1.03 |
| 2018 | 788,019 | 421.54 | 5.03 | 370.00 | 12.2 | 4.00 | 0.80 |
| 2019 | 589,708 | 458.03 | 4.87 | 402.50 | 12.1 | 4.75 | 0.83 |
| 2020 | 599,431 | 474.39 | 5.01 | 416.00 | 12.3 | 4.75 | 0.89 |
| 2021 | 706,929 | 566.60 | 7.36 | 512.00 | 9.6 | 6.50 | 0.83 |
| 2022 | 614,369 | 513.32 | 6.38 | 446.00 | 13.1 | 6.50 | 0.84 |
| **2023** | **479,169** | **421.26** | **7.06** | **353.00** | **16.2** | **6.60** | **0.91** |

# Performance

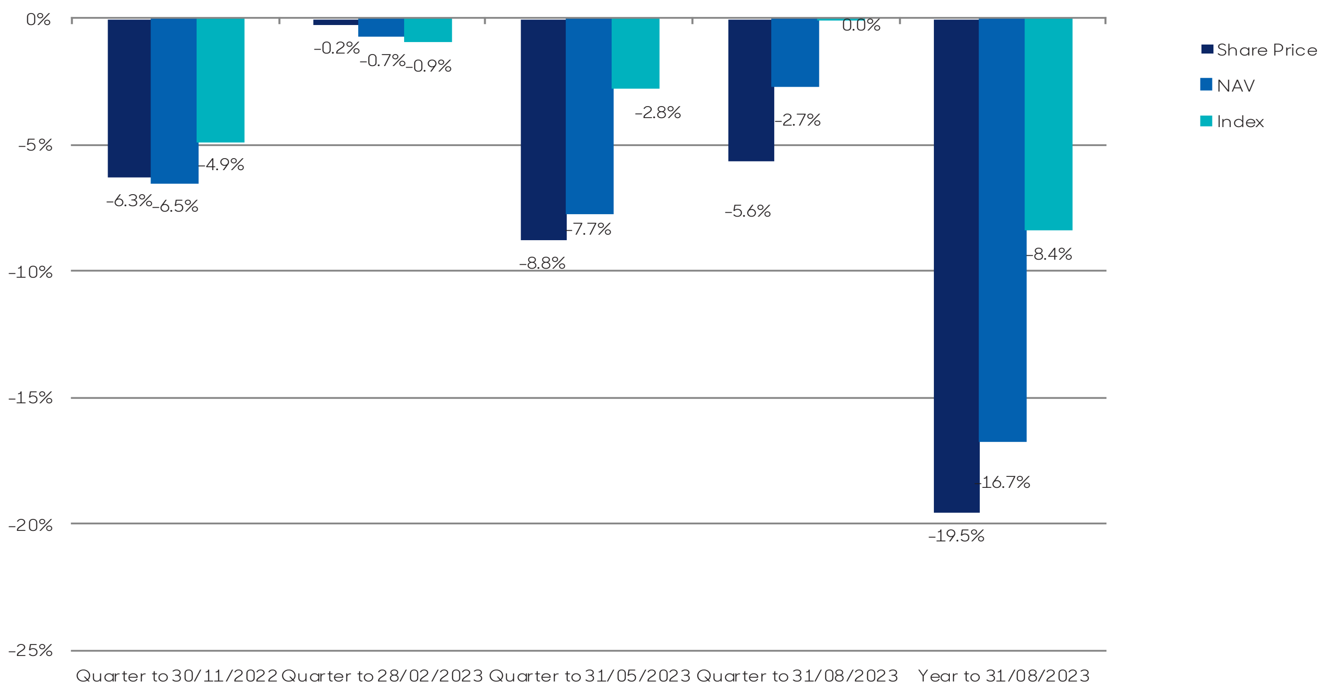
## Total Return of NAV and Share Price vs MSCI All Country Asia (ex Japan) Index (in sterling terms)

One, three and five years to 31 August 2023



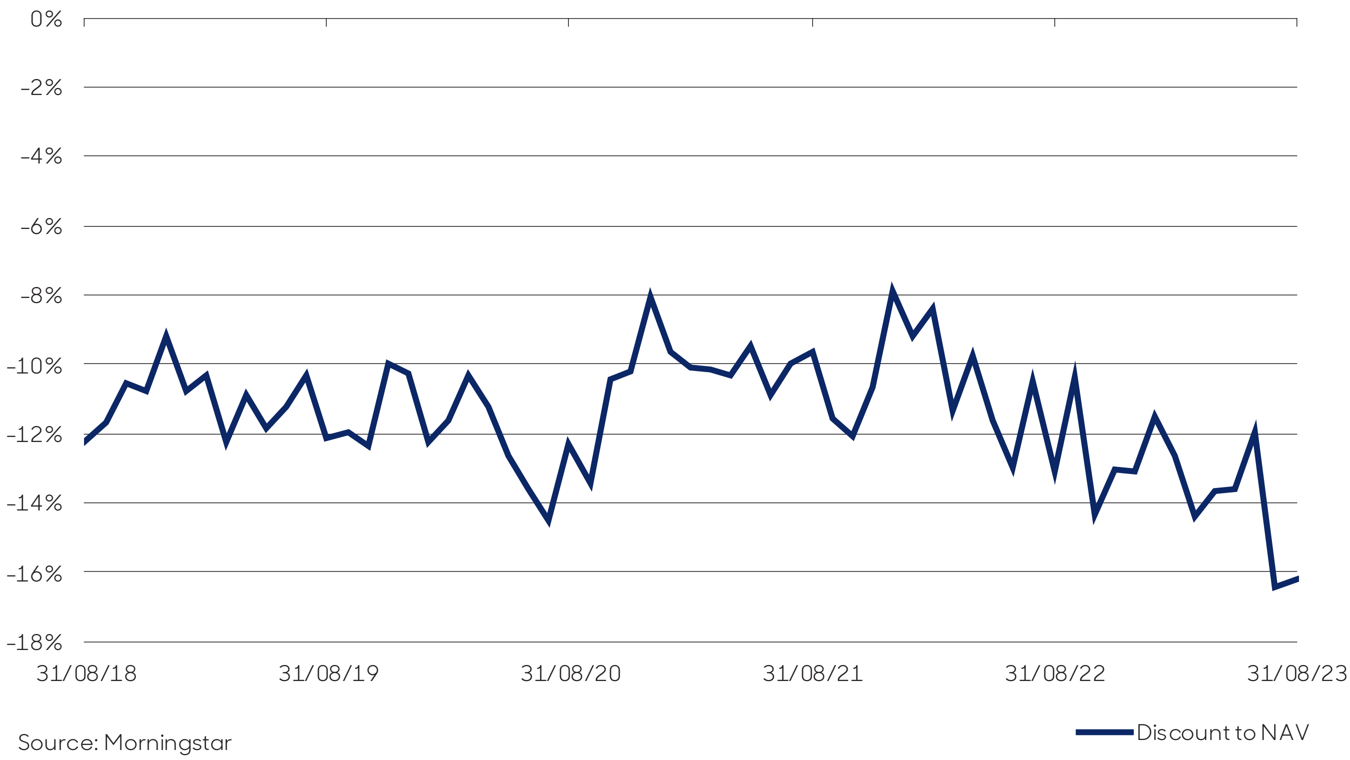

## Total Return of NAV and Share Price vs MSCI All Country Asia (ex Japan) Index (in sterling terms)

By quarter for year to 31 August 2023



## Share Price Discount to NAV

Five years to 31 August 2023




Source: Morningstar

# Portfolio

The Investment Manager is one of the leading Asia investment specialists with a strong active regional presence. A bottom-up, fundamentals driven approach is adopted, which seeks out high quality companies with effective management, good cash flow and healthy balance sheets at attractive valuations. The quality-focused approach enables the Trust to capture growth from world-class Asian companies.

# Ten Largest Investments

## As at 31 August 2023

**Taiwan Semiconductor Manufacturing Company**

As the world's largest pure-play semiconductor manufacturer, TSMC provides a full range of integrated foundry services, along with a robust balance sheet and good cash generation that enables it to keep investing in cutting-edge technology and innovation.

**Samsung Electronics (Pref)**

One of the global leaders in the memory chips segment, and a major player in smartphones and display panels as well. It has a vertically integrated business model and robust balance sheet, alongside good free cash flow generation.

**Tencent Holdings**

The internet giant continues to strengthen its ecosystem and we see great potential in its ability to balance its multiple revenue streams and monetise its social media and payment platforms whilst navigating the regulatory landscape.

**AIA Group**

A leading pan-Asian life insurance company, it is poised to take advantage of Asia's growing affluence, backed by an effective agency force and a strong balance sheet.

**Alibaba Group**

The Chinese internet group is a leading global e-commerce company with many impressive businesses, including the Taobao and Tmall online platforms in China. It also has interests in logistics, media as well as cloud computing platforms and payments.

**HDFC Bank**

HDFC Bank is known to have the best retail banking franchise in India, with a high quality wholesale portfolio, solid underwriting standards and a progressive digital stance further strengthening its competitive edge.

**Kweichow Moutai 'A'**

Kweichow Moutai is a leading hard liquor (baijiu) producer that boasts a dominant brand and a cash generative business. Its brand value stems from a long history and its rich heritage, which account for its wide Chinese business moat.

**SBI Life Insurance**

Among the leading Indian life insurers, SBI Life's competitive edge comes from a wide reach of SBI branches, highly productive agents, a low cost ratio and a reputable SBI brand.

**Oversea-Chinese Banking Corporation**

A well-managed Singapore bank with a solid capital base and good cost-to-income ratio. It is diversified by both geography and service offerings, with interests spanning Southeast Asia, North Asia, wealth management and life assurance as well as its core banking activities.

**Bank Central Asia**

Among the largest non state owned banks in Indonesia, it is well capitalised and has a big and stable base of low-cost deposits that funds its lending, while asset quality has remained solid.

# Investment Portfolio

## At 31 August 2023

| Company | Industry | Country | Valuation 2023 £'000 | Total assets % | Valuation 2022 £'000 |
|---|---|---|---|---|---|
| Taiwan Semiconductor Manufacturing Company | Semiconductors & Semiconductor Equipment | Taiwan | 54,535 | 10.5 | 59,819 |
| Samsung Electronics (Pref) | Technology Hardware Storage & Peripherals | South Korea | 38,960 | 7.5 | 40,687 |
| Tencent | Interactive Media & Services | China | 36,024 | 6.9 | 32,211 |
| AIA | Insurance | Hong Kong | 29,370 | 5.6 | 31,254 |
| Alibaba Group Holding | Broadline Retail | China | 23,374 | 4.5 | 19,547 |
| HDFC Bank | Banks | India | 19,754 | 3.8 | – |
| Kweichow Moutai 'A' | Beverages | China | 13,811 | 2.6 | 16,405 |
| SBI Life Insurance | Insurance | India | 12,761 | 2.5 | 12,894 |
| Oversea-Chinese Banking Corporation | Banks | Singapore | 11,717 | 2.2 | 15,832 |
| Bank Central Asia | Banks | Indonesia | 10,953 | 2.1 | 23,282 |
| **Top ten investments** | | | **251,259** | **48.2** | |
| DBS | Banks | Singapore | 9,697 | 1.9 | 18,721 |
| LG Chem | Chemicals | South Korea | 9,384 | 1.8 | 8,293 |
| Maruti Suzuki India | Automobiles | India | 8,916 | 1.7 | 8,119 |
| Power Grid Corp of India | Electric Utilities | India | 8,910 | 1.7 | 11,274 |
| Meituan-Dianping Class B | Hotels, Restaurants & Leisure | China | 8,869 | 1.7 | 6,180 |
| Hon Hai Precision Industry | Electronic Equipment, Instruments & Components | Taiwan | 8,823 | 1.7 | 11,387 |
| Budweiser Brewing Co APAC | Beverages | Hong Kong | 8,743 | 1.7 | 9,188 |
| Hong Kong Exchanges & Clearing | Capital Markets | Hong Kong | 8,478 | 1.6 | 11,605 |
| FPT Corp | IT Services | Vietnam | 8,212 | 1.6 | – |
| Hindustan Unilever | Personal Care Products | India | 7,845 | 1.5 | 9,429 |
| **Twenty largest investments** | | | **339,136** | **65.1** | |

# Investment Portfolio

## Continued

### At 31 August 2023

| Company | Industry | Country | Valuation 2023 £'000 | Total assets % | Valuation 2022 £'000 |
|---|---|---|---|---|---|
| Sands China | Hotels, Restaurants & Leisure | Hong Kong | 7,366 | 1.4 | – |
| Ultratech Cement | Construction Materials | India | 7,233 | 1.4 | 6,591 |
| China Tourism Group Duty Free Corp[A] | Speciality Retail | China | 6,898 | 1.3 | 12,816 |
| Contemporary Amperex Technology – A | Electrical Equipment | China | 6,868 | 1.3 | 7,623 |
| Aier Eye Hospital Group – A | Health Care Providers & Services | China | 6,854 | 1.3 | – |
| Bank of Philippine Islands | Banks | Philippines | 6,628 | 1.3 | 6,918 |
| Ayala Land | Real Estate Management & Development | Philippines | 6,526 | 1.2 | 10,392 |
| ShenZhen Mindray Bio-Medical Electronics – A | Health Care Equipment & Supplies | China | 6,526 | 1.2 | 7,963 |
| Tata Consultancy Services | IT Services | India | 6,193 | 1.2 | 9,832 |
| China Resources Land | Real Estate Management & Development | China | 6,005 | 1.2 | 8,779 |
| **Thirty largest investments** | | | **406,233** | **77.9** | |
| Larsen and Toubro | Construction & Engineering | India | 5,985 | 1.2 | – |
| Delta Electronics | Electronic Equipment, Instruments & Components | Taiwan | 5,847 | 1.1 | 8,183 |
| Info Edge (India) | Interactive Media & Services | India | 5,725 | 1.1 | 6,495 |
| Samsung Biologics | Life Sciences Tools & Services | South Korea | 5,550 | 1.1 | 6,766 |
| PB Fintech | Insurance | India | 5,325 | 1.0 | 3,237 |
| Tongcheng Travel Holdings | Hotels, Restaurants & Leisure | China | 5,254 | 1.0 | 5,255 |
| ASM International | Semiconductors & Semiconductor Equipment | Netherlands | 5,184 | 1.0 | – |
| Mobile World Investment Corporation | Speciality Retail | Vietnam | 5,095 | 1.0 | 6,236 |
| Kotak Mahindra Bank | Banks | India | 4,877 | 0.9 | 9,895 |
| JD.com – Class A | Broadline Retail | China | 4,828 | 0.9 | 14,640 |
| **Forty largest investments** | | | **459,903** | **88.2** | |

## At 31 August 2023

| Company | Industry | Country | Valuation 2023 £'000 | Total assets % | Valuation 2022 £'000 |
|---|---|---|---|---|---|
| Wuxi Biologics (Cayman) | Health Care Providers & Services | China | 4,825 | 0.9 | 10,429 |
| Sungrow Power Supply Co – A | Electrical Equipment | China | 4,649 | 0.9 | 6,056 |
| Nari Technology – A | Electrical Equipment | China | 4,427 | 0.9 | 7,939 |
| Kakao Corp | Interactive Media & Services | South Korea | 4,107 | 0.8 | 7,931 |
| Chacha Food – A | Food Products | China | 4,013 | 0.8 | 6,607 |
| Glodon Co – A | Software | China | 3,951 | 0.8 | 3,779 |
| Silergy Corp | Semiconductors & Semiconductor Equipment | Taiwan | 3,912 | 0.8 | 6,080 |
| Andes Technology | Semiconductors & Semiconductor Equipment | Taiwan | 3,872 | 0.7 | 4,657 |
| Shenzhen Inovance Technology – A | Machinery | China | 3,827 | 0.7 | 3,860 |
| Autohome – ADR | Interactive Media & Services | China | 3,701 | 0.7 | – |
| **Fifty largest investments** | | | **501,187** | **96.2** | |
| Zhongsheng Group Holdings | Speciality Retail | China | 3,163 | 0.6 | 5,356 |
| GDS Holdings – Class A | IT Services | China | 2,851 | 0.5 | 4,610 |
| Hangzhou Tigermed Consulting Co[A] | Life Sciences Tools & Services | China | 2,018 | 0.4 | 3,796 |
| | | | 509,219 | 97.7 | |
| **Net current assets[B]** | | | **12,016** | **2.3** | |
| **Total assets less current liabilities[B]** | | | **521,235** | **100.0** | |

[A] Holding includes investment in both 'A' and 'H' shares.
[B] Excluding bank loan of £39,992,000.

Note: Unless otherwise stated, foreign stock is held and all investments are equity holdings. Values for 2023 and 2022 may not be directly comparable due to purchases and sales made during the year.

# Changes in Asset Distribution

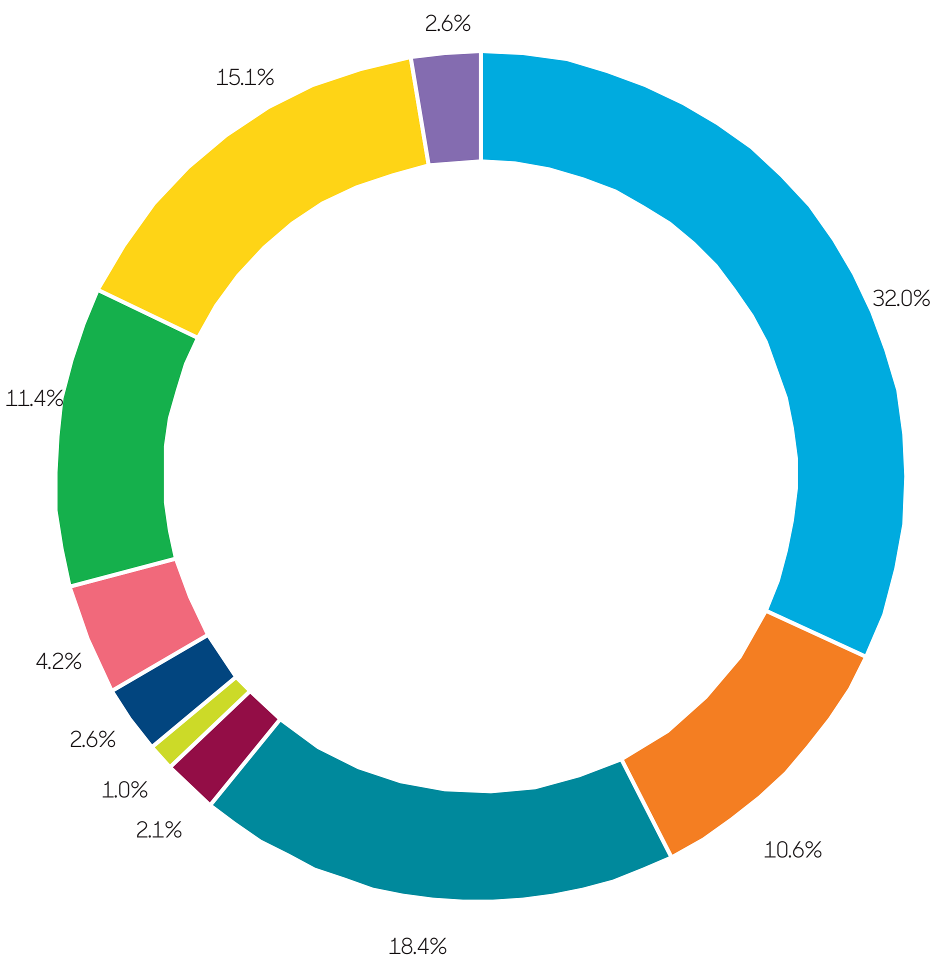
## For the year ended 31 August 2023

| Country | Value at 1 September 2022 £'000 | Purchases £'000 | Sales proceeds £'000 | Gains/ (losses) £'000 | Value at 31 August 2023 £'000 |
|---|---|---|---|---|---|
| China | 223,048 | 53,472 | 48,851 | (64,933) | **162,736** |
| Hong Kong | 58,956 | 15,172 | 9,949 | (10,222) | **53,957** |
| India | 119,143 | 11,297 | 27,018 | (9,898) | **93,524** |
| Indonesia | 32,155 | – | 20,023 | (1,179) | **10,953** |
| Netherlands | – | 3,995 | – | 1,189 | **5,184** |
| Philippines | 17,311 | – | 3,822 | (335) | **13,154** |
| Singapore | 41,014 | – | 19,026 | (574) | **21,414** |
| South Korea | 63,678 | 12,533 | 9,254 | (8,956) | **58,001** |
| Taiwan | 90,125 | 2,735 | 9,290 | (6,581) | **76,989** |
| Thailand | 15,457 | – | 12,967 | (2,490) | **–** |
| Vietnam | 11,492 | 8,406 | 4,518 | (2,073) | **13,307** |
| **Total investments** | 672,379 | 107,610 | 164,718 | (106,052) | **509,219** |
| Net current assets | 4,374 | – | – | 7,642 | **12,016** |
| **Total assets less current liabilities** | 676,753 | 107,610 | 164,718 | (98,410) | **521,235** |

# Analysis of Portfolio

## Geographic Summary

As at 31 August 2023

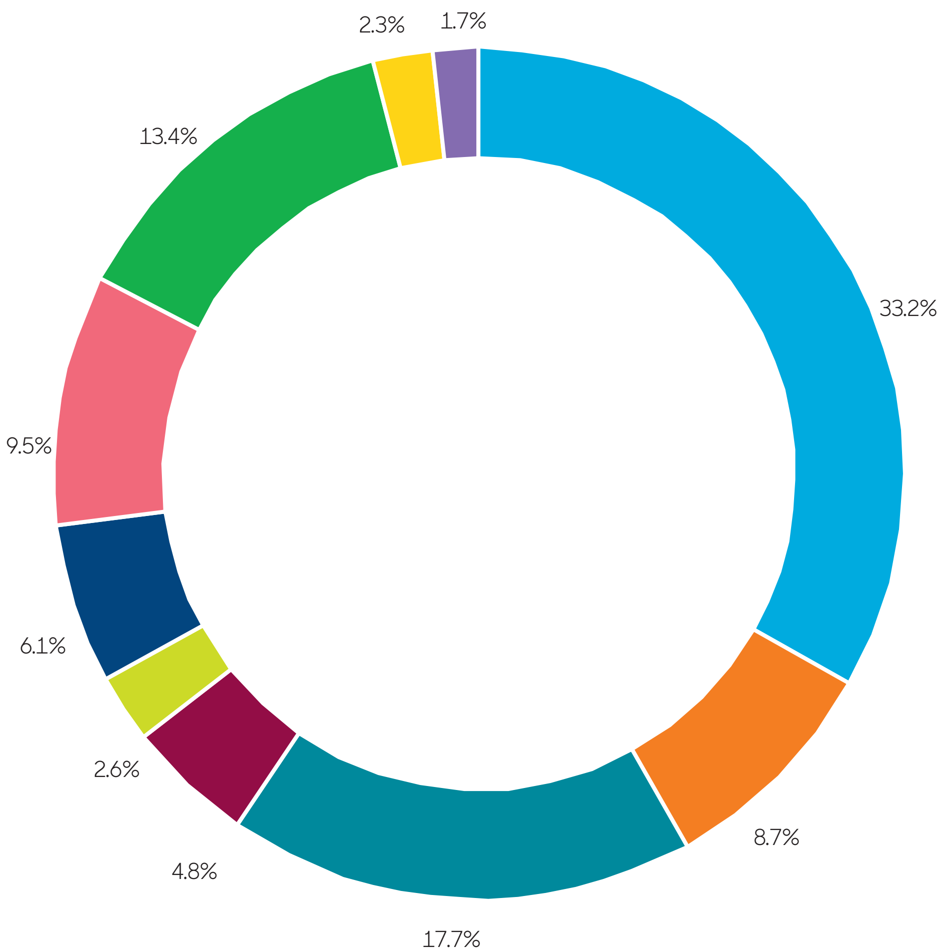



### Country allocation

- China – 32.0%
- Hong Kong – 10.6%
- India – 18.4%
- Indonesia – 2.1%
- Netherlands – 1.0%
- Philippines – 2.6%
- Singapore – 4.2%
- South Korea – 11.4%
- Taiwan – 15.1%
- Vietnam – 2.6%

# Analysis of Portfolio
## Continued

As at 31 August 2022

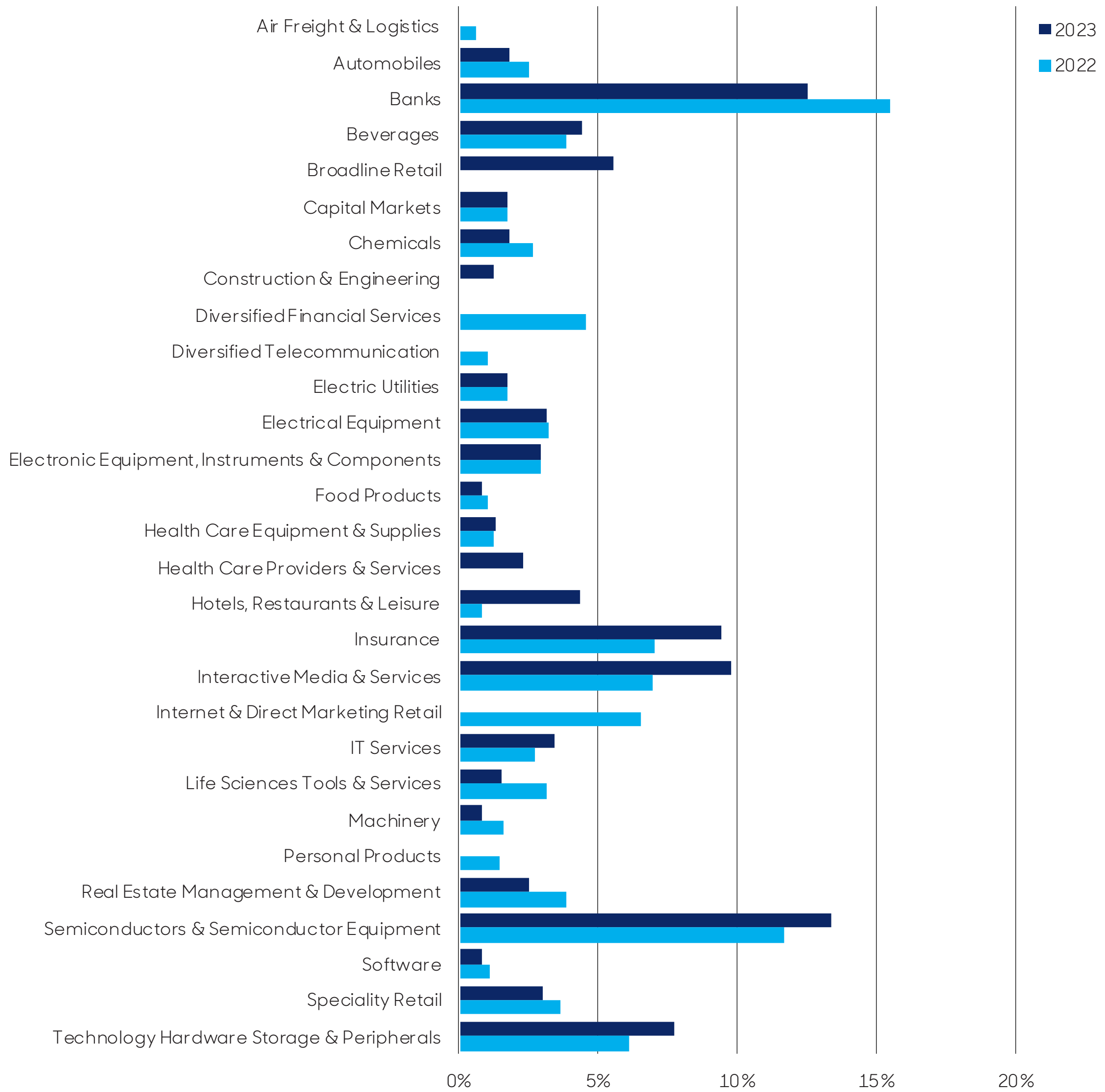



### Country allocation

- China – 33.2%
- Hong Kong – 8.7%
- India – 17.7%
- Indonesia – 4.8%
- Philippines – 2.6%
- Singapore – 6.1%
- South Korea – 9.5%
- Taiwan – 13.4%
- Thailand – 2.3%
- Vietnam – 1.7%

## Sector Breakdown

As at 31 August 2023



# Investment Case Studies

## ASM International

**What does the company do?**

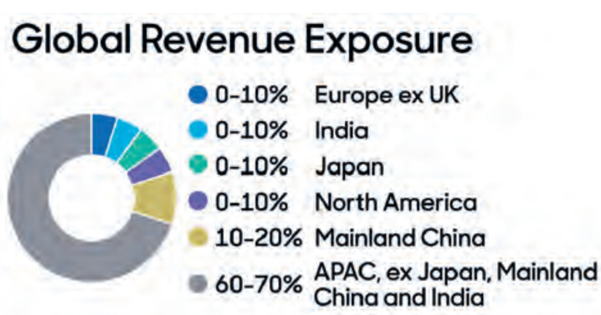
ASM International (ASMI) is the global leader in a key technology used in producing semiconductor chips that are found in the everyday electronics products that we use, such as mobile phones, digital cameras, televisions, washing machines and refrigerators.

**Why do we like the investment?**

Globally, about 1.1 trillion semiconductor chips are sold every year. It takes about three to four months to make one chip, and more than 2,000 chips are needed for one electric vehicle.

In all this, ASMI's atomic layer deposition (ALD) technology plays a key role in semiconductor chip making. The ALD technology is a high-precision process that helps mass produce patterns on silicon wafers through depositing layers on layers of smooth and ultra-thin films accurately and uniformly onto them. At the final stage of the chipmaking process, the wafers are diced into individual chips that are placed in protective casing and ready for use in digital devices.

We see this as a strong competitive advantage of ASMI, which we introduced to the portfolio in April 2023, because its technology helps make semiconductor chips smaller, faster and more powerful. As semiconductor chips get increasingly smaller, demand for more sophisticated deposition technology like ALD is rising across the logic, foundry and memory segments and, in turn, expanding the addressable market for ASMI, which derives most of its revenues from Asia (please see chart below).

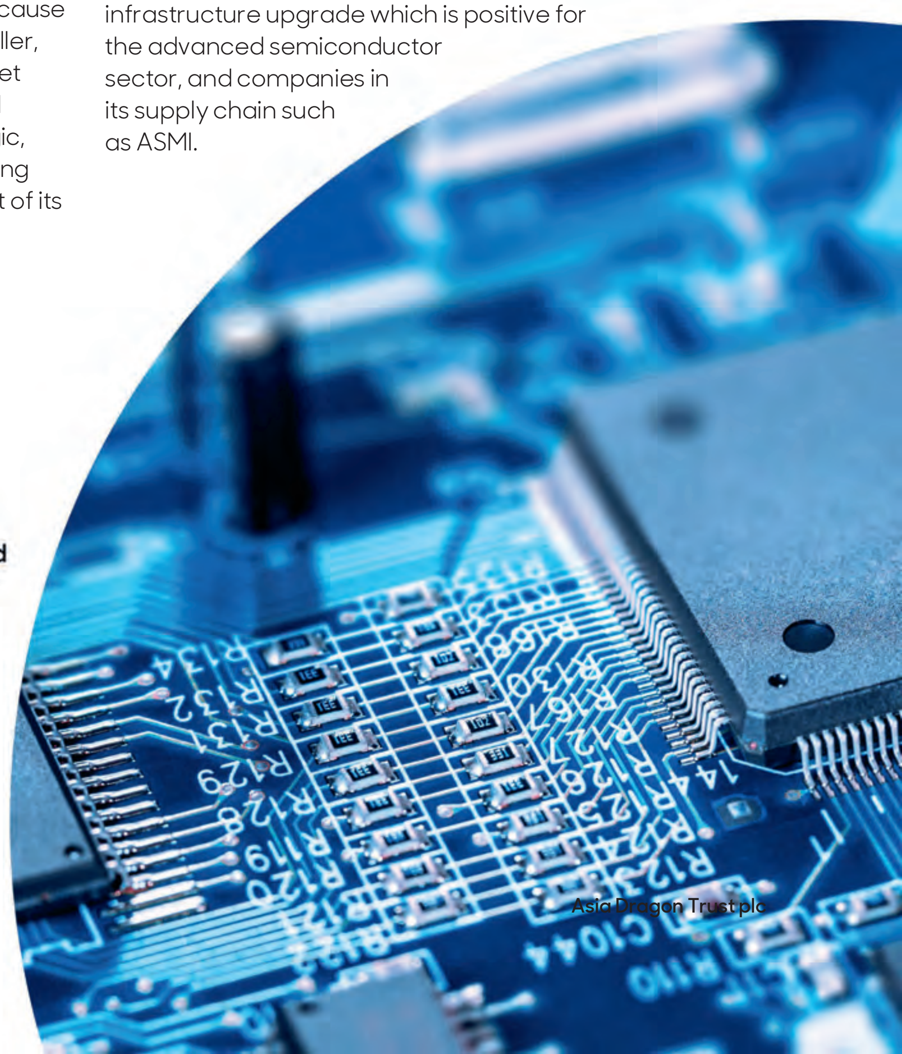



Source: Morgan Stanley Research Estimate, 19 October 2023

There is also a significant "green" aspect to ASMI's technology, which enables more energy-efficient chips, with transistors and memory elements that consume less power per operation and interconnect with lower power losses. The precision in its technology also allows the development of 3D structures vital to the future of electronics, including saving space while delivering chips with higher performance that consume less power. Hence, we view ASMI as an enabler in reducing the carbon footprint of its customers and end-customers.

Beyond that, we are impressed with ASMI's efforts on the broader ESG front, especially with regard to its disclosure around key material risks, including financial health, protecting and using intellectual property, ethics code of conduct, talent, worker health and safety, product safety and environmental compliance and IT security, as well as actionable targets and impact. The company also scores well on corporate governance, such as a fully independent supervisory board. Rating agency MSCI has given ASMI an ESG rating of AA, which we view as well deserved.

More broadly, the semiconductor industry is poised for a cyclical recovery in the short term while longer term, demand potential has only strengthened on the back of structural growth from generative AI which may mean a multi-year demand boost for data centre content and infrastructure upgrade which is positive for the advanced semiconductor sector, and companies in its supply chain such as ASMI.



## Shenzhen Mindray

**What does the company do?**

Mindray is China's largest medical equipment maker. It has a diversified product portfolio targeting essential healthcare services, such as life-support, in-vitro diagnostics and medical imaging.

**Why do we like the investment?**

The company is positioned as a leading player with high-quality products reflecting its heavy focus on research and development but priced significantly cheaper than global peers. This has enabled the company to successfully take substantial market share in the US, EU and elsewhere, with overseas sales now contributing more than 40% of total sales.

We also see Mindray as among those best positioned to ride China's localisation or domestic substitution drive as it offers cutting-edge technology that can compete with global leaders while pricing its products within an accessible range, in-line with its commitment of "healthcare within reach".

**What is our key area of engagement?**

We have been regularly engaging Mindray, China's largest medical equipment maker, since 2021 to understand its ESG management framework, and to encourage better disclosures in human capital management, product quality and the positive impact the company has on society. We encouraged the company to disclose on how often it engages with its employees through various feedback and communication channels, and to highlight examples of how it uses results from its employee engagement surveys to implement changes. We also asked Mindray to place more emphasis on improving product quality and reducing product recalls.

More recently in August 2023, the company's share price was volatile owing to weak sentiment around an anti-corruption investigation into the mainland health-care sector. The company was quick to respond to market concerns, and we spoke with the management to get more clarity on any potential impact of the anti-corruption drive. They guided for delays, instead of cancellations, in tenders from public hospitals, but they expect to offset this with market share gains and have maintained their full-year earnings growth guidance at 20%, which is in line with the target. We have reduced our position, as a mitigatory measure given sentiment headwinds, but we remain confident of the fundamentals and prospects of Mindray over the long term.

**What is the result?**

Mindray recently received a triple rating upgrade from MSCI from 'BB' to 'AA', driven by new disclosures across human capital development, product safety and quality as well as business ethics policy and carbon emissions. These are areas where we have engaged Mindray to improve disclosures to the market, and we are pleased with the MSCI upgrade which reflects Mindray's good ESG management. We will continue to provide feedback and keep the discussions with Mindray ongoing.

In addition, our engagement around the anti-corruption drive also highlights how our ESG engagement efforts help our fundamental analysis and investment. For Mindray, anti-corruption measures are among the areas of material risks discussed in our regular engagement with the company. We view the company as having a sound footing here. The company has a detailed and manageable policy to curb corruption and bribery, anti-corruption and bribery agreements with and training for all its distributors, and annual business ethics audits supervised by its chairman and supported by a whistleblower system.

More broadly, by owning high quality companies and engaging with our holdings on ESG, we are fundamentally better positioned in policy campaigns triggered by ESG risks.

# Governance

The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance. The Company is registered as a public limited company and has been approved by HM Revenue & Customs as an investment trust. The Directors, all of whom are non-executive and independent of the Manager, supervise the management of Asia Dragon Trust plc and represent the interests of shareholders.

# Board of Directors

## James Will
Independent Chairman

### Experience:
Former Chairman of law firm Shepherd and Wedderburn LLP where he was a senior corporate partner, heading its financial sector practice. He has experience of working with companies in a wide range of industry sectors including financial services, technology, energy and life sciences. James is Senior Independent Director of Herald Investment Trust plc. He was, until recently, Chairman of The Scottish Investment Trust PLC and a non-executive director of JPMorgan Global Growth & Income plc.

### Length of service:
5 years, appointed on 1 October 2018

### Last re-elected to the Board:
9 December 2022

### Committee membership:
Management Engagement Committee (Chair), Nomination Committee (Chair) and Remuneration Committee

### Contribution:
The Board has reviewed the contribution of James Will in light of his proposed re-election at the AGM and has concluded that he continues to chair the Company expertly, fostering a collaborative spirit between the Board and Manager, whilst ensuring that Board meetings remain focused on the key areas of stakeholder relevance. In particular his legal expertise has been extremely important during the process that has culminated in the proposed Combination with abrdn New Dawn.

## Gaynor Coley
Independent Non-Executive Director and Chair of the Audit & Risk Committee

### Experience:
A chartered accountant with over 30 years' experience in private and public sector finance and governance. She is currently the Audit Committee Chairman of Lowland Investment Company plc, SQN Secured Investment Fund plc and Foresight Enterprise VCT plc. Gaynor is also a Director of a number of private companies. She was previously the Chairman of the Wave Group Ltd, Director of Public Programmes at the Royal Botanic Gardens Kew, Managing Director of the Eden Project in Cornwall and Director of Finance at Plymouth University.

### Length of service:
4 years, appointed on 3 July 2019

### Last re-elected to the Board:
9 December 2022

### Committee membership:
Audit & Risk Committee (Chair), Management Engagement Committee, Nomination Committee and Remuneration Committee

### Contribution:
The Board has reviewed the contribution of Gaynor Coley in light of her proposed re-election at the AGM and has concluded that she continues to chair the Audit & Risk Committee expertly and provides significant financial, risk management and ESG insight to Board discussions.

## Matthew Dobbs

Independent Non-Executive Director

### Experience:

Before retirement from full time fund management duties in 2021, Matthew had 40 years' fund management experience with Schroders. He specialised in Asian and Small Companies investment having served as Schroders' Head of Global Small Companies from 2000. In addition to managing the Schroders Asian Alpha Plus Fund, Matthew was instrumental in helping grow the assets of two closed-ended investment companies, Schroder Asia Pacific Fund plc and Schroder Oriental Income Fund Limited into FTSE 250 Companies, serving as investment manager from their respective launches in 1995 and 2005. He holds a BA in history and economics from Oxford University. Matthew is non-executive Chairman of the European Opportunities Trust PLC.

### Length of service:

1 year, appointed on 1 February 2022

### Last re-elected to the Board:

Elected on 9 December 2022

### Committee membership:

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

### Contribution:

The Board has reviewed the strong contribution of Matthew Dobbs since his appointment to the Board and has concluded that he brings significant investment insight, and regional experience, to the Board and excellent knowledge of the investment management sector.

## Susan Sternglass Noble

Independent Non-Executive Director

### Experience:

Over 30 years' experience of investment management and analysis, specialising in financial sector equities, with focus on global, European and Asian mandates. She holds a B.A. in Asian Studies from Cornell University and a M.S. in Foreign Service from Georgetown University and is a Mandarin Chinese speaker. Susan held senior roles at Goldman Sachs, JP Morgan, CQS and AXA Investment Managers. More recently she has held a number of board, advisory and policy roles. Susan is a non-executive director of Unity Trust Bank, a consultant to The Investor Forum, a director of the US-UK Fulbright Commission and an active angel investor. She was previously a specialist adviser to the Treasury Select Committee of the House of Commons and a Commissioner on the Dormant Assets Commission.

### Length of service:

3 years, appointed on 7 August 2020

### Last elected to the Board:

9 December 2022

### Committee membership:

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

### Contribution:

The Board has reviewed the contribution of Susan Sternglass Noble in light of her proposed re-election at the AGM and has concluded that she continues to bring investment, industry and corporate governance expertise to the Board.

# Board of Directors

## Continued

### Charlie Ricketts

Senior Independent Director

### Experience:

Over 30 years' experience within the investment funds arena. He was, until 2014, the head of investment funds at Cenkos Securities, providing equity capital markets services to the fund management industry and to investment trust companies. He was previously a managing director of UBS Investment Bank and head of investment funds. He began his investment career as an investment director of Johnson Fry and then head of marketing and investment product development at Gartmore Investment Management. Charlie is a non-executive director of Templeton Emerging Markets Investment Trust and is co-Founder and a Trustee of the charity Carefreespace.

### Length of service:

7 years, appointed on 19 April 2016

### Last re-elected to the Board:

9 December 2022

### Committee membership:

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

### Contribution:

The Board reviewed the contribution of Charlie Ricketts in light of his proposed re-election at the AGM and concluded that he provides significant investment and ESG insight to the Board and expert knowledge of the investment management and investment trust sectors. He is a strong Senior Independent Director and chairs the Remuneration Committee effectively.

# Directors' Report

## Capital Structure

At 31 August 2023, the Company had 113,745,386 fully paid Ordinary shares of 20p each in issue (2022: 119,686,001) with a further 45,866,291 Ordinary shares of 20p held in treasury (2022: 39,925,676). During the year to 31 August 2023 5,940,615 Ordinary Shares were bought back and held in treasury (2022: 5,080,349). Further details on the changes to the capital structure during the year ended 31 August 2023 are provided in note 14. Subsequent to the period end a further 973,136 Ordinary shares have been purchased in the market for treasury.

The Ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Board) and to receive any interim dividends which the Directors may resolve the Company should pay. 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. On a show of hands, every Ordinary shareholder present in person, or by proxy, has one vote and, on a poll, every Ordinary shareholder present in person has one vote for each share held and a proxy has one vote for every share represented.

There are no restrictions concerning the holding or transfer of the Ordinary shares and there are no special rights attached to any of the shares. The Company is not aware of any agreements between shareholders which may result in any restriction on the transfer of shares or the voting rights.

In the event of a winding-up of the Company, the Ordinary shares will rank behind any creditors or prior ranking capital of the Company.

## Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were James Will, Gaynor Coley, Matthew Dobbs, Susan Sternglass Noble and Charlie Ricketts. Biographies of the Directors of the Company are shown on pages 52 to 54.

It is intended that, subject to the successful completion of the proposals for Combination with abrdn New Dawn, Donald Workman, Stephen Souchon and Nicole Yuen (each a New Dawn Director) will be appointed as non-executive Directors of the Company. As such, the Board will then, initially, consist of eight Directors, comprising the five current Directors of the Company and three New Dawn Directors. After a transition period that will end on the six month anniversary of completion, it is intended that the number of Directors on the Board will be reduced to five, with Donald Workman, Charlie Ricketts and Gaynor Coley expected to retire from the Board at that time

## Directors' and Officers' Liability Insurance

The Company's articles of association indemnify each of the Directors out of the assets of the Company against any liabilities incurred by them as a Director of the Company in defending proceedings, or in connection with any application to the Court in which relief is granted. In addition, the Directors have been granted qualifying indemnity provisions by the Company which are currently in force. Directors' and Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

## Dividends

The Directors recommend that a final dividend of 6.6p per Ordinary share (2022: 6.5p) be paid on 15 December 2023 to shareholders on the register on 27 October 2023. The ex-dividend date is 26 October 2023.

## Management Agreement

The Company has appointed abrdn Fund Managers Limited, a wholly owned subsidiary of abrdn plc, as its alternative investment fund manager. By way of group delegation agreements within the abrdn Group the management of the Company's investment portfolio is delegated to abrdn (Asia) Limited and company secretarial services and administrative services are provided by Aberdeen Asset Managers Limited.

Details of the management agreement, including the notice period and fees paid to the abrdn Group companies during the year ended 31 August 2023, are shown in note 4 to the financial statements.

### Reduction in Management Fee

As detailed in the Company's circular to shareholders dated 22 September 2023, pursuant to an agreement dated 20 September 2023 and subject to the implementation of the Combination proposals with abrdn New Dawn, the Manager has agreed that, with effect from completion of the Combination, the management fee payable by the Company to AFML will be reduced to 0.75 per cent. per annum (currently 0.85 per cent. per annum) on the initial £350 million of the Company's NAV and 0.50 per cent. per annum on the Company's NAV in excess of £350 million. In addition, the Manager has agreed to make a contribution to the costs of the Combination proposals by means of a reduction in the management fee payable

# Directors' Report

## Continued

by the enlarged Company to AFML. The fee reduction will constitute a waiver of the management fee that would otherwise be payable by the enlarged company to AFML in respect of the assets transferred by abrdn New Dawn.

### Borrowings

The Company has a £35 million multicurrency revolving facility with The Royal Bank of Scotland International Limited, London Branch. The agreement was entered into on 29 July 2022 with a termination date of 29 July 2024. At the year end £15m of this facility had been drawn down at a rate of 6.184%. At the date of this Report the Company had drawn down £15m million at a rate of 6.188% and, subject to the completion of the Combination with abrdn New Dawn, the Manager expects to maintain broadly the same level of net gearing. Under the terms of the revolving credit facility, the Company has the option to increase the level of the commitment from £35 million to £50 million at any time.

On 29 July 2022, the Company also entered into a new fixed loan facility agreement of £25 million at an interest rate of 3.5575% with The Royal Bank of Scotland International Limited, London Branch, with a termination date of 29 July 2024. The agreement of this facility incurred an arrangement fee of £7,500, which will be amortised over the life of the loan.

### Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, is contained on pages 59 to 64.

### Going Concern

The Directors have undertaken a rigorous review and believe that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements. This conclusion is consistent with the longer term Viability Statement on page 25.

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale. The Board has set limits for borrowing and regularly reviews the level of any gearing, cash flow projections and compliance with banking and loan covenants.

The Directors are mindful of the principal risks and uncertainties disclosed on pages 19 to 22 including the refinancing risk arising in July 2024, and have reviewed forecasts detailing revenues and liabilities and undertaken sensitivity analysis. The Directors are satisfied that 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. 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 in July 2024. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year and considered the Company's Statement of Financial Position as at 31 August 2023 which shows net current liabilities of £27.9 million at that date. The Directors believe that adopting a going concern basis of accounting remains appropriate.

### Substantial Share Interests

At 31 August 2023 the Company had been notified or was aware of the following substantial interests in the Ordinary shares:

| Shareholder | Number of Ordinary shares held | % held |
|---|---|---|
| City of London Investment Management | 34,144,519 | 30.0 |
| Allspring Global Investments | 17,252,523 | 15.2 |
| Lazard Asset Management | 10,506,479 | 9.2 |
| abrdn Retail Plans | 4,311,140 | 3.8 |
| Rathbones | 3,791,711 | 3.3 |
| Evelyn Partners | 3,432,386 | 3.0 |

On 31 October 2023 Allspring Global Investments confirmed that their interest in the Company amounted to 16,844,505 Ordinary shares (14.93%). As at the date of this Report, no other changes to the above interests had been notified to the Company.

## Independent Auditors

The respective responsibilities of the Directors and the independent auditors in connection with the financial statements appear on pages 71 and 79.

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

## Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 7 December 2023, the following resolutions will be proposed:

### (i) Section 551 Authority to Allot Shares

Resolution 15, which will be proposed as an ordinary resolution, will, if approved, give the Directors a general authority to allot new shares up to 33.33% of the Company's issued Ordinary share capital (excluding Treasury shares) as at the date of the passing of this resolution (up to a maximum nominal amount of £7.52 million based on the Company's issued share capital as at the date of this Report). Such authority will expire on 28 February 2025 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

### (ii) Disapplication of Pre-emption Rights

Resolution 16, which will be proposed as a special resolution, seeks to give the Directors power, conditional on Resolution 15 being passed, to allot Ordinary shares and to sell Ordinary shares held in treasury for cash, without first offering them to existing shareholders in proportion to their existing holdings, up to an aggregate nominal value representing 5% of the Company's issued Ordinary share capital (excluding Treasury shares) as at the date of passing of this resolution (up to a maximum nominal amount of £1.13 million based on the Company's issued share capital as at the date of this Report).

This authority will expire on 28 February 2025 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

Pursuant to this power, Ordinary shares would only be issued for cash and treasury shares would only be sold for cash at a premium to the net asset value per share (calculated after the deduction of prior charges at market value).

The Directors consider that the powers proposed to be granted by the above resolutions are necessary to provide flexibility to issue shares should they deem it to be in the best interests of shareholders as a whole.

### (iii) Purchase of the Company's own Ordinary shares

Since the Company's last AGM the Company has undertaken share buybacks, the details of which are set out on page 56. Resolution 17, which will be proposed as a special resolution, will renew the Company's authority to make market purchases of its own shares. Shares so repurchased will be cancelled or held "in treasury". In respect of the Company's Ordinary shares which it buys back and does not immediately cancel but, instead, holds in treasury it may sell such shares (or any of them) for cash (or its equivalent); or ultimately cancel the shares (or any of them).

No dividends will be paid on treasury shares, and no voting rights attach to them.

The maximum number of Ordinary shares which may be purchased pursuant to this authority shall be 14.99% of the issued share capital of the Company (excluding Treasury shares) as at the date of the passing of the resolution (approximately 16.91 million Ordinary shares based on the Company's issued share capital as at the date of this Report). The minimum price which may be paid for an Ordinary share (exclusive of expenses) will be 20p (being an amount equal to the nominal value of an Ordinary share). The maximum price for an Ordinary share (again exclusive of expenses) shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

# Directors' Report

## Continued

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. This authority will expire on 28 February 2025 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

**(iv) Notice Period for General Meetings**

Resolution 18, which will be proposed as a special resolution, seeks the authority from shareholders for the Company to be able to hold general meetings (other than AGMs) on 14 clear days' notice. The approval will be effective until the conclusion of the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations) before it can call a general meeting on 14 clear days' notice. The Directors confirm that the short notice provisions contained in Resolution 18 would only be used where it is merited by the purpose of the meeting.

### Proposed Changes to the Board

It is intended that, following completion of the abrdn New Dawn Combination proposals, Donald Workman, Stephen Souchon and Nicole Yuen (each a New Dawn Director) (the "Prospective Directors") will be appointed as non executive Directors of the Company. As such, the Board will then, initially, consist of eight Directors, comprising the five current Directors of the Company and three New Dawn Directors. After a transition period that will end on the six month anniversary of completion of the Combination, it is intended that the number of Directors on the Board will be reduced to five, with Donald Workman, Charlie Ricketts and Gaynor Coley expected to retire from the Board at that time. Each of the Prospective Directors is independent of the AIFM and the Investment Manager. It is intended that the resolutions to elect Mr Workman, Mr Suchon and Ms Yuen will be proposed at the forthcoming AGM of the Company on 7 December 2023. However, shareholders should note that, in the event that the abrdn New Dawn Combination proposals does not become effective, it is intended that the resolutions to appoint the Prospective Directors (Resolutions 10 to 12 in the Notice of AGM) will be withdrawn.

### Recommendation

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling, in aggregate, 41,614 Ordinary shares, and representing 0.04% of the existing issued Ordinary share capital of the Company.

### Greenhouse Gas Emissions

The Company can report that it has no greenhouse gas emissions or other emissions producing sources from its operations.

### Other Information

The rules concerning the appointment and replacement of Directors, amendments to the articles of association and powers to issue or buy back the Company's shares are contained in the articles of association of the Company and the Companies Act 2006. There are no agreements which the Company is party to that might affect its control following a takeover bid; and there are no agreements between the Company and its Directors concerning compensation for loss of office. Other than the management agreement with the Manager, further details of which are set out on page 55 the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 18 to the Financial Statements.

**By order of the Board,**
**abrdn Holdings Limited**
**Secretary**
Edinburgh
2 November 2023

Registered office:
1 George Street
Edinburgh EH2 2LL
Company Registration Number: SC106049

# Statement of Corporate Governance

## Compliance

The Company is committed to high standards of corporate governance. The Board is responsible for good governance, and this statement describes how the Company applies the principles identified in the UK Corporate Governance Code published in 2018 (the "UK Code"), which is available on the Financial Reporting Council's website: **www.frc.org.uk**, throughout the financial year.

The Company is a member of the Association of Investment Companies ("AIC"), which has published its own Code of Corporate Governance to recognise the special circumstances of investment trusts (**www.theaic.co.uk**) and approved by the FRC.

The Board confirms that, during the year to 31 August 2023, the Company complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below:

- the role of the chief executive (A.1.2);
- executive Directors' remuneration (D.1.1 and D.1.2); and
- the need for an internal audit function (C.3.6).

For the reasons set out in the AIC Code, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company.

## The Board

The Board consists of five non-executive Directors. Each Director has the requisite range of business and financial experience to enable the Board to provide clear and effective leadership and proper stewardship of the Company. Charlie Ricketts is the Senior Independent Director ("SID") and is available to shareholders in the event that there are concerns that cannot be resolved through discussion with the Chairman.

Biographical details for each of the Directors, including their significant external appointments, can be found on pages 52 to 54.

All Directors are considered to be independent of the Manager and to be free of any material relationship with the Manager which could interfere with the exercise of their independent judgement. Subject both to annual re-election and renewal of the appointment every three years, a Director's tenure of office (including that of the Chairman) will normally be for up to nine years. When making a recommendation for re-electing a Director, the Board will take into account the on-going requirements of the UK Code.

## Role and Operation of the Board

The Board normally meets at least five times each year, and more frequently where business needs require. In addition, there is regular contact between the Directors and the Manager throughout the year. The table below sets out the number of routine Board and Committee meetings attended by each Director during the year compared to the number of meetings that each Director was eligible to attend. Directors also have additional discussions when required to address administrative matters and ad hoc issues between scheduled Board meetings.

| Director | Board Meetings | Audit & Risk Committee Meetings[1] | Remuneration Committee Meetings | Nomination Committee Meetings | Management Engagement Committee Meetings |
|---|---|---|---|---|---|
| James Will [1] | 5 (5) | n/a | 1 (1) | 1 (1) | 2 (2) |
| Gay Coley | 5 (5) | 3 (3) | 1 (1) | 1 (1) | 2 (2) |
| Matthew Dobbs | 5 (5) | 3 (3) | 1 (1) | 1 (1) | 2 (2) |
| Susan Sternglass Noble | 5 (5) | 3 (3) | 1 (1) | 1 (1) | 2 (2) |
| Charlie Ricketts | 5 (5) | 3 (3) | 1 (1) | 1 (1) | 2 (2) |

[1] All Directors are members of the four Committees of the Board with the exception of James Will who can, upon invitation, attend Audit & Risk Committee meetings as an observer.

# Statement of Corporate Governance

## Continued

### 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 it to fulfil its obligations. The Board also recognises the benefits and is supportive of, and will give due regard to, the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, socio-economic background, religion, ethnic or national origins or disability in considering the appointment of Directors. In view of its size, the Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment. In doing so, the Board will seek to meet the targets set out in the FCA's Listing Rule 9.8.6R (9)(a), which are set out below.

In accordance with the LR 9.8.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity.

### Table for reporting on gender as at 31 August 2023

| | Number of board members | Percentage of the board | Number of senior positions on the board (CEO, CFO, Chair and SID) | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| **Men** | 3 | 60% | n/a (note 3) | n/a (note 4) | n/a (note 4) |
| **Women** | 2 | 40% (note 1) | | | |
| **Not specified/prefer not to say** | - | - | | | |

### Table for reporting on ethnic background as at 31 August 2023

| | Number of board members | Percentage of the board | Number of senior positions on the board (CEO, CFO, Chair and SID) | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| **White British or other White (including minority-white groups)** | 5 | 100% | n/a (note 3) | n/a (note 4) | n/a (note 4) |
| **Mixed / Multiple Ethnic Groups** | - | - | | | |
| **Asian/Asian British** | - | - | | | |
| **Black/African/Caribbean/Black British** | - | - | | | |
| **Other ethnic group, including Arab** | - | - | | | |
| **Not specified/prefer not to say** | - | - | | | |

**Notes:**

1. The Company met the target that at least 40% of Directors are women as set out in LR 9.8.6R (9)(a)(i) for the year ended 31 August 2023.
2. The Company does not meet the target that at least one Director is from a minority ethnic background as set out in LR 9.8.6R (9)(a)(iii). However, subject to the successful completion of the abrdn New Dawn Combination proposals, the Board expects to be compliant for the year ending 31 August 2024.
3. The Company does not meet the target for the year to 31 August 2023 as the Company does not have a CEO/CFO and neither the Chairman nor the Senior Independent Director is a woman. However, it should be noted that for an investment trust, the role of Audit & Risk Committee Chair is considered to be a senior position on the Board and the Company's Audit Chair is a woman.
4. This column is not applicable as the Company is externally managed and does not have any executive staff.

The information included above in relation to the gender and ethnic background of the Board has been obtained following confirmation from the individual Directors. Although not required to be disclosed under the FCA's Listing Rules, the Board notes that the Company's lead portfolio managers are one male and one female, both of whom are based in Singapore and one of whom is Asian.

There have been no changes since the year end that have affected the Company's ability to meet the targets set in LR 9.8.6R (9)(a).

## Role of the Board

The Board has overall responsibility for the Company's affairs. It delegates, through a management agreement and specific instructions, the day-to-day management of the Company to the Manager, abrdn Fund Managers Limited. The Board has a schedule of matters reserved to it for decision, and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager.

Such matters include overall strategy, review of investment policy, performance, gearing policy, treasury, corporate governance policy, promotional activities and communications with shareholders.

Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. At each meeting the Board reviews the following:

- Reports from the Manager covering stockmarket environment, portfolio activities, performance and investment outlook;
- Company financial information including revenue forecasts, balance sheet and gearing position;
- Shareholder analysis and relations;
- Regulatory issues and industry matters;
- Reports from other service providers such as brokers and registrars.

No contract or arrangement subsisted during the period in which any of the Directors was materially interested. The Board monitors, on a regular basis, the direct and indirect interests of each Director and has concluded that there were no situations which gave rise to an interest of a Director which conflicted with the interests of the Company. The Board adopts a zero-tolerance approach to bribery and corruption and has implemented appropriate procedures designed to prevent bribery.

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.

## Directors' Time Commitments

The Company has a policy of ensuring that all non-executive directors of the Company have sufficient time to commit to the respective duties and responsibilities applicable to their particular Board roles.

When making new appointments, the Board takes into account other demands on potential candidates' time and prior to appointment any significant commitments are disclosed with an indication of the time involved. In the year under review the Board assessed the time commitment of each individual Director on external appointments. Each Director's aggregate time commitment is discussed with him or her as part of the annual appraisal process.

In the year under review, all Directors were considered to have sufficient time to commit to their respective roles on the Board, taking account of their external appointments.

If at any time any Director wishes to accept an additional significant external appointment, the prior approval of the Board is first required. In considering whether to grant such approval, the Board will in particular consider the Director's other time commitments and any potential conflicts of interest.

### Board Committees
The Board has appointed four Committees with specific operations as set out below. The terms of reference, which clearly define the responsibilities of each Committee are available on the Company's website. The terms of reference of each of the Committees are renewed and re-assessed by the Board for their adequacy on an ongoing basis.

### Audit & Risk Committee
The Audit & Risk Committee Report is contained on pages 65 to 67.

### Remuneration Committee
The Remuneration Committee, which comprises all directors and is chaired by Charlie Ricketts, is responsible for determining the level of Directors' fees, having regard to external sources. The terms of reference are available on request and on the Company's website. Further information may be found in the Directors' Remuneration Report.

### Management Engagement Committee
The Management Engagement Committee, which comprises all the Directors and is chaired by James Will, reviews the performance of the Manager and its compliance with the management agreement.

The Committee keeps the resources of the Manager under constant review, conducts an annual review of the terms and conditions of the management agreement ("Agreement") and undertakes an evaluation of the Manager's performance under this Agreement. In monitoring the performance of the Manager, the Board reviews the investment performance, management processes, risk control mechanisms and promotional activities of the Manager.

As a result of these reviews, the Board concluded that the Manager has the investment management, promotional, secretarial and administrative skills required for the effective operation of the Company. The Board believes that the Manager has satisfactorily met the terms of the management agreement with the Company, and considers that the continuing appointment of the Manager is in the interests of the Company and its shareholders. The performance of the Manager remains under close review.

### Nomination Committee
A Nomination Committee was established in January 2020, which comprises all Directors and is chaired by James Will, and has responsibility for Board evaluation, succession planning, new appointments and training.

### Performance Evaluation
An appraisal of each Director, including the Chairman, and of the operation of the Board and its Committees, was undertaken during the year. The Chairman's performance assessment was led by the Senior Independent Director. The Board also reviewed the Chairman's and Directors' other commitments. The Board is satisfied that each Director's performance continues to be effective, and that each remains fully committed to the Company. The Company has not been a constituent of the FTSE 350 and, as such, an external evaluation of the Board was not undertaken during the financial year.

### Succession Planning
In line with the Company's strong commitment to its corporate governance responsibilities, the Board regularly reviews its performance and structure to ensure it has the correct mix of relevant skills, diversity and experience for the effective conduct of the Company's business to complement the existing composition of the Board whilst having due regard for the benefits of diversity, including gender and ethnicity, on the Board.

New Board appointments are identified against the requirements of the Company's business and the need to have a balanced Board and are routinely facilitated by an external search consultant to ensure that a wide range of candidates can be considered.

The Board has implemented the provisions of the UK Code whereby all Directors of the Company will stand for re-election on an annual basis. The Board has reviewed the skills and experience of each Director, and supports their re-election.

New Directors are given appropriate induction from the Manager covering legal responsibilities, the Manager's operations and investment trust industry matters. All Directors are entitled to receive appropriate and relevant training. If necessary, there is a procedure for a Director to take independent professional advice at the Company's expense.

## Proposed Changes to the Board

It is intended that, following completion of the abrdn New Dawn Combination proposals, Donald Workman, Stephen Souchon and Nicole Yuen (each a New Dawn Director) (the "Prospective Directors") will be appointed as non executive Directors of the Company. As such, the Board will then, initially, consist of eight Directors, comprising the five current Directors of the Company and three New Dawn Directors. After a transition period that will end on the six month anniversary of completion of the Combination, it is intended that the number of Directors on the Board will be reduced to five, with Donald Workman, Charlie Ricketts and Gaynor Coley expected to retire from the Board at that time. Each of the Prospective Directors is independent of the AIFM and the Investment Manager. Resolutions to elect Mr Workman, Mr Suchon and Ms Yuen are being proposed at the forthcoming AGM of the Company on 7 December 2023. Shareholders should note that, in the event that the abrdn New Dawn Combination proposals were not to complete, the resolutions to appoint the Prospective Directors would be withdrawn.

## Relations with Shareholders

The Directors place great importance on communication with shareholders. Besides shareholders, the report and financial statements are widely distributed to other parties who have an interest in the Company's performance. Shareholders and potential investors may obtain up-to-date information on the Company through the Manager's freephone information service, and the Company responds to letters from shareholders on a wide range of issues. The Company's annual and half-yearly reports and other publications can be downloaded from the Company's website, **www.asiadragontrust.co.uk**.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (either the Company Secretary or the Manager) in situations where direct communication is required. The Chairman meets with representatives of the major shareholders during the financial year on an annual basis in order to gauge their views. The Manager maintains regular contact with institutional shareholders and feeds back shareholder views to the Board.

As set out in the Chairman's Statement on page 10, the Board will be hosting an Online Shareholder Presentation at 11:00am on 27 November 2023 in order to encourage as much interaction as possible with the Company's shareholders. Full details on how to register for the online event can be found on the Company's website at **asiadragontrust.co.uk.**

It is the intention of the Board that, in the ordinary course, the notice of the Annual General Meeting included within the annual report and financial statements is normally sent out at least 20 working days in advance of the meeting. The Board encourages shareholders to attend and participate at the Company's AGM. At the AGM, the Investment Manager provides a presentation at the meeting outlining the key investment issues that affect the Company and all shareholders have the opportunity to raise questions. Proxy voting figures for each resolution are announced to the meeting after voting on a show of hands and details are available on the Company's website.

## Environmental, Social and Governance ("ESG") Investing

Our Investment Manager's approach to ESG matters is included on pages 26 to 34.

## Consumer Duty

The FCA's Consumer Duty rules were published in July 2022. The rules comprise a fundamental component of the FCA's consumer protection strategy and aim to improve outcomes for retail customers across the entire financial services industry through the assessment of various outcomes, one of which is an assessment of whether a product provides value. Under the Consumer Duty, the Manager is the product 'manufacturer' of the Company and therefore the Manager was required to publish its assessment of value from April 2023. Using a newly developed assessment methodology, the Manager assessed the Company as 'expected to provide fair value for the reasonably foreseeable future'. As this was the first year of assessment, the Board gained an understanding of the Manager's basis of assessment and no concerns were identified with either the assessment method or the outcome of the assessment.

## The UK Stewardship Code and Proxy Voting

The Company supports the UK Stewardship Code, and seeks to play its role in supporting good stewardship of the companies in which it invests. Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager. abrdn plc 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 and the long term investment return to shareholders. While delivery of stewardship activities has been delegated to the Manager, the Board acknowledges its role in setting the tone for the effective delivery of stewardship on the Company's behalf.

The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues.

**James Will**,
Chairman

2 November 2023

# Audit & Risk Committee's Report

The Audit & Risk Committee (the "Committee") presents its Report for the year ended 31 August 2023.

## Membership and Responsibilities

The Committee is chaired by Gaynor Coley, who is a chartered accountant, and comprises all Directors, with the exception of James Will who can, upon invitation, attend meetings as an observer. The Committee is satisfied that, as a whole, it has the necessary recent and relevant financial experience and competence relevant to the investment trust sector in order to fulfil its responsibilities. The main responsibilities of the Committee are:

- to review the half yearly and annual financial statements of the Company, the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements;
- to assess whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to review and report to the Board on the significant financial reporting issues and judgements made in connection with the financial reporting including the statement on the Company's viability;
- to consider reports from the external auditors, including its audit strategy and findings;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services;
- to consider the re-appointment, remuneration and terms of engagement of the external auditors and to review annually the external auditors' independence, objectivity, effectiveness, resources and qualification;
- to review and monitor the internal control systems and risk management systems (including non financial risks) on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function; and
- to review the arrangements in place within the Manager whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ('whistleblowing').

The Committee undertakes an annual performance evaluation, in relation to discharging its responsibilities, through questionnaires and discussion.

The respective responsibilities of the Directors and the external auditors in connection with the financial statements appear on pages 71 and 79.

## Activities During the Year

The Committee meets at least three times per year when it reviews the annual and half yearly financial reports in detail. Reports from the Manager's internal audit, risk and compliance departments are also considered by the Committee which cover internal control systems, risk and the conduct of the business in the context of its regulatory environment.

## Risk Management and Internal Control

In accordance with the Disclosure and Transparency Rules 7.2.5, the Board is responsible for the Company's system of internal control and has reviewed the effectiveness of the Company's risk management and internal control systems. The Board confirms that there is an ongoing and robust process for identifying, evaluating and managing the significant risks faced by the Company which include financial, operational, compliance and reputational risks.

Under the Management Agreement, the management of the Company's assets has been delegated to the Manager within overall guidelines. Risks are identified and documented through a risk management framework by each function within the Manager's activities. The internal control systems operated by the Manager are monitored and supported by an internal audit function which undertakes periodic examination of business processes and ensures that recommendations to improve controls are implemented. 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.

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 Financial Reporting Council's Guidance on Internal Controls.

# Audit & Risk Committee's Report

## Continued

In addition, the Board has adopted its own risk matrix which identifies the key risks for the Company and covers strategy, investment management, operations, regulatory and financial obligations and third party service providers. A monitoring system is undertaken whereby the controls to mitigate these risks, and the impact of the residual risks, are assessed on a regular basis. The risk matrix is formally reviewed on a six monthly basis in order to identify emerging risks which may arise. Details of the emerging and principal risks faced by the Company are provided in Overview of Strategy on pages 19 to 22.

The key components designed 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 emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- The Board and the 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 as appropriate;
- As a matter of course, the Manager's risk management department, including compliance and internal audit functions, continually reviews the Manager's operations and provides reports to the Committee;
- Written agreements are in place, which specifically define the roles and responsibilities of the Manager and other third party service providers;
- The Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Manager, has decided to place reliance on the Manager's risk management systems and internal audit procedures; and
- The Committee carried out bi-annual reviews of the Manager's risk management and internal controls, including the internal audit and compliance functions. At its October 2023 meeting, the Committee performed its annual assessment of internal controls for the year ended 31 August 2023. The results of the assessment were reported to the Board.

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 material misstatement or loss.

### Financial Statements and Significant Matters

During its review of the Company's financial statements for the year ended 31 August 2023, the Audit & Risk Committee considered the following significant matters, in particular those communicated by the Independent Auditors during its planning and reporting of the year end audit.

#### Valuation, Existence and Ownership of Investments

How the matter was addressed - the Company uses the services of an independent depositary (BNP Paribas Trust Corporation UK Limited) (the "Depositary") to hold the assets of the Company. An annual internal control report is received from the Depositary and reviewed by the Audit & Review Committee. This provides details of the Depositary's control environment. The investment portfolio is reconciled regularly by the Manager. The portfolio is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared quarterly and are considered at the quarterly meetings of the Board. The Audit & Risk Committee also considered the Independent Auditor's work and conclusions in this area.

The valuation of investments is undertaken in accordance with the accounting policies disclosed in note 2 to the financial statements.

The Audit & Risk Committee satisfied itself that there were no issues associated with the valuation, existence and ownership of the investments which required to be addressed.

#### Income from Investments

How the matter was addressed - the recognition of dividend income is undertaken in accordance with accounting policy note 2(c) to the financial statements. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the specific circumstances. Management accounts are reviewed by the Board on a quarterly basis and discussions take place with the Manager regarding the allocation of any special dividends that have been received. The Audit & Risk Committee also considered the Independent Auditor's work and conclusions in this area.

The Audit & Risk Committee concluded that there were no issues associated with the recognition of dividend income which required to be addressed.

## Other Accounting Issues

The Company's compliance with investment trust status, under section 1158 of the Corporation Tax Act 2010, is monitored by the Manager on an ongoing basis and reported to the Committee.

## Review of Independent Auditors

The Committee has reviewed the independence and the effectiveness of the external auditors, PricewaterhouseCoopers LLP ("PwC"), as follows:

- The external auditors report on an annual basis the steps it takes to ensure its independence and objectivity and confirms that it has complied with the relevant UK independence guidelines. The level of fees for non-audit services provided by the auditors is assessed and for the year to 31 August 2023 was nil (2022 - £nil). The Board will review any future non-audit fees in the light of the requirement to maintain the auditor's independence.
- The Committee considers the experience, continuity and tenure of the external audit team, including the audit partner. The audit team consists of suitably experienced staff with knowledge of the investment trust sector and there is a process in place for the rotation of the audit partner.
- The Committee assesses the level of audit service annually. The audit plan is reviewed well in advance and subsequent audit findings are reported comprehensively in a timely manner and are resolved satisfactorily. The auditors have a constructive working relationship with both the Board and the Manager.

## Re-appointment of the Independent Auditors

In 2020 the Committee undertook an audit tender, following which the Board recommended the appointment of PwC as the Company's auditors. Shareholders overwhelmingly voted in favour of the appointment of PwC at the Company's AGM on 10 December 2020.

In accordance with present professional guidelines the Senior Statutory Auditor is rotated after no more than five years and the year ended 31 August 2023 will be the third year for which the present Senior Statutory Auditor, Mr Thomas Norrie, has served. The Committee considers PwC, the Company's auditors, to be independent of the Company and, based on its experience of the audit process and engagement with PwC, the Audit & Risk Committee supports the recommendation to the Board that the re-appointment of PwC be put to Shareholders for approval at the AGM.

**Gaynor Coley,**
Chairman of Audit & Risk Committee
2 November 2023

# Directors' Remuneration Report

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

a) A Remuneration Policy, set out below, which was last approved by shareholders at the 2020 AGM. This policy is subject to a vote every three years. Any change to this policy during this interval would require shareholder approval;

b) An annual Implementation Report, which provides information on how the Remuneration policy has been applied during the year and will be subject to an advisory vote at the AGM; and

c) An Annual Statement.

The law requires the Company's auditors to audit certain of the disclosures provided in the Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on page 74.

## Remuneration Policy

The Remuneration Policy takes into consideration the principles of the UK Code of Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. Directors' remuneration is determined by the Remuneration Committee. The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report nor are there any proposals for changes in the foreseeable future, except for the Directors' fees, as set out in the Implementation Report below.

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. No shareholder views were sought in setting the remuneration policy although any comments received from shareholders would be considered on an on-going basis. Fee rates are established by having regard to external sources as to current market levels.

**Directors' fees**

The Directors are non-executive and their fees are set within the limits of the Company's articles of association which limit the aggregate fees payable to the Board of Directors per annum, currently £250,000. The level of cap may be increased by shareholder resolution from time to time.

**Appointment**

- The Company only intends to appoint non-executive Directors under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment and annually thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment.
- 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.
- The Company indemnifies its Directors for costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.
- The Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.

**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 was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

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

The Directors' Remuneration Policy was last approved by shareholders at the Company's AGM on 10 December 2020. A resolution to approve the Directors' Remuneration Policy will be proposed at the AGM on 7 December 2023.

## Implementation Report

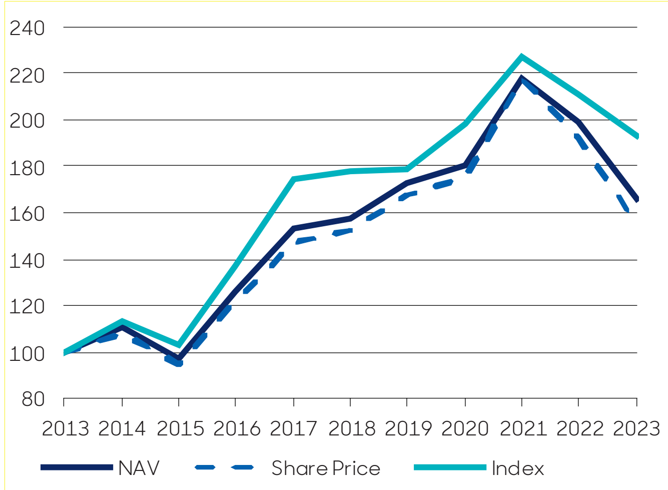
### Directors' Fees

During the financial year the Board carried out a review of Directors' fees and a decision to maintain the fees at the current level for the year ending 31 August 2024 was taken. The last increase in Directors' fees was effective from 1 September 2022.

| | 1 September 2023 £ | 1 September 2022 £ |
|---|---|---|
| Independent Director | **32,000** | 32,000 |
| Additional fee for Chairman | **13,000** | 13,000 |
| Additional fee for Chairman of Audit & Risk Committee | **5,750** | 5,750 |
| Additional fee for SID | **1,600** | 1,600 |

### Company Performance

During the year the Board carried out a review of investment performance. The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from a composite index, in Sterling terms, consisting of the MSCI All Country Asia (ex Japan) Index for the ten year period to 31 August 2023 (rebased to 100 at 31 August 2013). This index was chosen for comparison purposes, as it is the reference index used for investment performance measurement purposes.




## Statement of Voting at General Meeting

At the Company's last AGM, held on 9 December 2022, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) in respect of the year ended 31 August 2022. 99.86% of proxy votes were in favour of the resolution, 0.11% were against and 0.03% abstained. At the AGM on 10 December 2020, shareholders approved the Directors' Remuneration Policy with 99.78% of proxy votes in favour, 0.14% against and 0.08% abstained.

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 August 2023 will be proposed at the Annual General Meeting.

## Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to Directors with distributions to shareholders. However, for ease of reference, the total fees paid to Directors are shown in the table on page 70 while dividends paid to shareholders are set out in note 8 and share buybacks are detailed in note 14.

# Directors' Remuneration Report

## Continued

### Fees Payable (audited)

The Directors who served in the year received the following fees which exclude employers' NI and any VAT payable. This represents the entire remuneration paid to the Directors.

Fees are pro-rated where a change takes place during a financial year. No fees were paid to third parties.

| Director | 2023<br>£ | 2022<br>£ |
|---|---|---|
| James Will | **45,000** | 43,500 |
| Gay Coley | **37,750** | 36,500 |
| Matthew Dobbs* | **32,000** | 18,100 |
| Susan Sternglass Noble | **32,000** | 31,000 |
| Charlie Ricketts | **33,600** | 32,500 |
| **Total** | **180,350** | 161,600 |

* Mr Dobbs was appointed to the Board on 1 February 2022

## Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the past four years from 1 September 2019 to 31 August 2023.

| | Year ended 31 August 2023 | Year ended 31 August 2022 | Year ended 31 August 2021 | Year ended 31 August 2020 |
|---|---|---|---|---|
| | Fees % | Fees % | Fees % | Fees % |
| James Will[1] | **3.5** | 3.6 | 2.9 | 54.1 |
| Gay Coley[2] | **3.4** | 4.3 | 14.3 | 537.5 |
| Matthew Dobbs[3] | **76.8** | n/a | n/a | n/a |
| Susan Sternglass Noble[4] | **3.2** | 3.3 | n/a | n/a |
| Charlie Ricketts[5] | **3.4** | 4.8 | 4.7 | 5.1 |

[1] James Will was appointed to the Board on 1 October 2018 and took over as Chairman on 3 July 2019;
[2] Gaynor Coley was appointed to the Board on 3 July 2019 and became Audit & Risk Committee Chair on 13 December 2019;
[3] Matthew Dobbs was appointed to the Board on 1 February 2022;
[4] Susan Sternglass Noble was appointed to the Board on 7 August 2020;
[5] Charlie was appointed as Senior Independent Director on 1 May 2020.

## Directors' Interests in the Company (audited)

The Directors (including their connected persons) at 31 August 2023 and 31 August 2022 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

| | 31 August 2023<br>Ordinary shares<br>Number | 31 August 2022<br>Ordinary shares<br>Number |
|---|---|---|
| James Will | **10,114** | 10,114 |
| Gay Coley | **5,000** | 5,000 |
| Matthew Dobbs | **14,000** | 14,000 |
| Susan Sternglass Noble | **7,500** | 5,000 |
| Charlie Ricketts | **5,000** | 5,000 |

The above interests were unchanged as at the date 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 to 31 August 2023:

- 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.

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

**Charlie Ricketts,**
Chairman of Remuneration Committee
2 November 2023

# 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 they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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.

Responsibility statement of the Directors in respect of the annual financial report.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic report /Director's report include a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

**For Asia Dragon Trust plc**
**James Will,**
Chairman
2 November 2023

# Financial Statements

The Company's revenue return per share was 7.06p for the year to 31 August 2023 (2022: 6.38p)

# Independent Auditors' Report to the Members of Asia Dragon Trust plc

## Report on the audit of the financial statements

## Opinion

In our opinion, Asia Dragon Trust plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2023 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Statement of Financial Position as at 31 August 2023; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

## Our audit approach

#### Context

The Company is a standalone Investment Trust Company and engages abrdn Fund Managers Limited (the "AIFM") to manage its assets.

#### Overview

#### Audit scope

- We conducted our audit of the financial statements using information from the AIFM to whom the Directors have delegated the provision of all administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the AIFM referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at the AIFM and adopted a fully substantive testing approach using reports obtained from the AIFM.

#### Key audit matters

- Income from investments.
- Valuation and existence of listed investments.

#### Materiality

- Overall materiality: £4,791,000 (2022: £6,143,000) based on approximately 1% of net assets.
- Performance materiality: £3,593,000 (2022: £4,607,000).

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Income from Investments**<br>Refer to page 65 (Audit & Risk Committee's Report), page 86 (Accounting Policies) and page 88 (Notes to the Financial Statements).<br><br>Income from investments comprised dividend income. Within income from investments there is a risk of incomplete or inaccurate recognition of income through the failure to recognise proper income entitlements or to apply an inappropriate accounting treatment.<br><br>In addition, the Directors are required to exercise judgement in determining whether income in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.<br><br>As such, we focused on the accuracy, completeness and occurrence of income from investments recognition and its presentation in the Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP"). | We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to confirm that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.<br>We understood and assessed the design and implementation of key controls surrounding income recognition.<br><br>We tested the accuracy of all dividend receipts by agreeing the dividend rates from investments to independent market data.<br><br>To test for completeness, we tested a sample of dividends that had been received in the year by reference to independent data of dividends declared for investments during the year.<br><br>We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements<br><br>We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP by determining the reasons behind dividend distributions.<br><br>Based on the audit procedures performed and evidence obtained, we concluded that income from investments was not materially misstated. |
| **Valuation and existence of listed investments.**<br>Refer to page 66 (Audit & Risk Committee's Report), page 85 (Accounting Policies) and page 92 (Notes to the Financial Statements).<br><br>The investment portfolio at 31 August 2023 comprised listed equity investments of £509 million.<br><br>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements. | We tested the valuation of all the listed investments by agreeing the prices used in the valuation to independent third party sources.<br><br>We tested the existence of all listed investments by agreeing the holdings to an independent confirmation from the Depositary, BNP Paribas Trust Corporation UK Limited, as at 31 August 2023.<br><br>No material misstatements were identified from this testing. |

# Independent Auditors' Report to the Members of Asia Dragon Trust plc

## Continued

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### The impact of climate risk on our audit

In planning our audit, we made enquiries of the Directors to understand the extent of the potential impact of climate change risk on the Company's financial statements. The Directors concluded that the impact on the measurement and disclosures within the financial statements is not material because the Company's investment portfolio is made up of level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company's investment activities. We also considered the consistency of the climate change disclosures included in the Principal Risks and Uncertainties with the financial statements and our knowledge from our audit.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| **Overall company materiality** | £4,791,000 (2022: £6,143,000). |
| **How we determined it** | Approximately 1% of Net Assets. |
| **Rationale for benchmark applied** | We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. This benchmark provides an appropriate and consistent year on year basis for our audit. |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £3,593,000 (2022: £4,607,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above £239,000 (2022: £307,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

Our evaluation of the Directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors' updated risk assessment and considering whether it addressed relevant threats;

- evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses and debt repayments, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and
- assessing the implication of significant reductions in Net Asset Value (NAV) as a result of market performance on the ongoing ability of the Company to operate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Directors' Report,, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report, for the year ended 31 August 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report,.

# Independent Auditors' Report to the Members of Asia Dragon Trust plc

## Continued

**Directors' Remuneration**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit & Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

### Responsibilities for the financial statements and the audit

**Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

- discussing with the AIFM and the audit committee, including specific enquiry of known or suspected instances of non-compliance with laws and regulation and fraud where applicable;
- reviewing relevant meeting minutes, including those of the Board and Audit & Risk Committee;
- assessing of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- identifying and testing journal entries, in particular any material or revenue-impacting manual journal entries posted as part of the Annual Report preparation process; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

# Independent Auditors' Report to the Members of Asia Dragon Trust plc

## Continued

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit & Risk Committee, we were appointed by the members on 10 December 2020 to audit the financial statements for the year ended 31 August 2021 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 August 2021 to 31 August 2023.

**Thomas Norrie (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 November 2023

# Statement of Comprehensive Income

| | | Year ended 31 August 2023 | | | Year ended 31 August 2022 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Losses on investments held at fair value through profit or loss | 10 | - | (106,052) | (106,052) | – | (65,385) | (65,385) |
| Currency (losses)/gains | | - | (1,140) | (1,140) | – | 455 | 455 |
| Income | 3 | 11,829 | - | 11,829 | 11,127 | – | 11,127 |
| Investment management fee | 4 | (960) | (2,879) | (3,839) | (1,097) | (3,290) | (4,387) |
| Administrative expenses | 5 | (1,054) | (2) | (1,056) | (1,007) | – | (1,007) |
| **Net return/(loss) before finance costs and taxation** | | 9,815 | (110,073) | (100,258) | 9,023 | (68,220) | (59,197) |
| Interest payable and similar charges | 6 | (534) | (1,602) | (2,136) | (266) | (798) | (1,064) |
| **Return/(loss) before taxation** | | 9,281 | (111,675) | (102,394) | 8,757 | (69,018) | (60,261) |
| Taxation | 7 | (1,015) | (334) | (1,349) | (967) | 707 | (260) |
| **Return/(loss) after taxation** | | 8,266 | (112,009) | (103,743) | 7,790 | (68,311) | (60,521) |
| **Return per share (pence)** | 9 | 7.06 | (95.72) | (88.66) | 6.38 | (55.91) | (49.53) |

The total column of this statement represents the profit and loss account of the Company.

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

The accompanying notes on pages 85 to 104 are an integral part of the financial statements.

# Statement of Financial Position

| | Notes | As at 31 August 2023 £'000 | As at 31 August 2022 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments at fair value through profit or loss | 10 | **509,219** | 672,379 |
| **Current assets** | | | |
| Debtors and prepayments | 11 | **3,114** | 2,693 |
| Cash and cash equivalents | 12 | **10,942** | 5,094 |
| | | **14,056** | 7,787 |
| **Creditors: amounts falling due within one year** | | | |
| Bank loan | 13(a) | **(39,992)** | (35,000) |
| Other creditors | 13(b) | **(2,040)** | (3,413) |
| | | **(42,032)** | (38,413) |
| **Net current liabilities** | | **(27,976)** | (30,626) |
| **Creditors: amounts falling due after more than one year** | | | |
| Bank loan | 13(a) | **–** | (24,983) |
| Deferred tax liability on Indian capital gains | 13(c) | **(2,074)** | (2,401) |
| | | **(2,074)** | (27,384) |
| **Net assets** | | **479,169** | 614,369 |
| **Share capital and reserves** | | | |
| Called-up share capital | 14 | **31,922** | 31,922 |
| Share premium account | | **60,416** | 60,416 |
| Capital redemption reserve | | **28,154** | 28,154 |
| Capital reserve | 15 | **317,532** | 453,273 |
| Revenue reserve | | **41,145** | 40,604 |
| **Total shareholders' funds** | | **479,169** | 614,369 |
| **Net asset value per Ordinary share (pence)** | 16 | **421.26** | 513.32 |

The financial statements on pages 81 to 104 were approved by the Board of Directors and authorised for issue on 2 November 2023 and were signed on its behalf by:

**James Will**
Chairman

The accompanying notes on pages 85 to 104 are an integral part of the financial statements.

# Statement of Changes in Equity

## For the year ended 31 August 2023

| | Notes | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 September 2022 | | 31,922 | 60,416 | 28,154 | 453,273 | 40,604 | 614,369 |
| Return after taxation | | - | - | - | (112,009) | 8,266 | (103,743) |
| Buyback of Ordinary shares for treasury | 14 | - | - | - | (23,732) | - | (23,732) |
| Dividend paid | 8 | - | - | - | - | (7,725) | (7,725) |
| **Balance at 31 August 2023** | | 31,922 | 60,416 | 28,154 | 317,532 | 41,145 | 479,169 |

## For the year ended 31 August 2022

| | Notes | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 September 2021 | | 31,922 | 60,416 | 28,154 | 545,582 | 40,855 | 706,929 |
| Return after taxation | | - | - | - | (68,311) | 7,790 | (60,521) |
| Buyback of Ordinary shares for treasury | 14 | - | - | - | (23,998) | - | (23,998) |
| Dividend paid | 8 | - | - | - | - | (8,041) | (8,041) |
| **Balance at 31 August 2022** | | 31,922 | 60,416 | 28,154 | 453,273 | 40,604 | 614,369 |

The capital reserve includes investment holding gains amounting to £32,413,000 (2022 – £144,902,000), as disclosed in note 10.

The Revenue reserve and the part of the Capital reserve represented by realised capital gains represent the amount of the Company's reserves distributable by way of dividend.

The accompanying notes on pages 85 to 104 are an integral part of the financial statements.

# Statement of Cash Flows

| | Notes | Year ended 31 August 2023 £'000 | Year ended 31 August 2022 £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Net return before taxation | | **(102,394)** | (60,261) |
| Adjustment for: | | | |
| Losses on investments | | **106,052** | 65,385 |
| Currency losses/(gains) | | **1,140** | (455) |
| Increase in accrued dividend income | | **(125)** | (232) |
| Decrease/(increase) in other debtors | | **801** | (466) |
| (Decrease)/increase in other creditors | | **(1,262)** | 1,473 |
| Interest payable and similar charges | 6 | **2,136** | 1,064 |
| Overseas withholding tax | | **(689)** | (1,323) |
| **Cash from operations** | | **5,659** | 5,185 |
| Interest paid | | **(2,128)** | (1,013) |
| **Net cash inflow from operating activities** | | **3,531** | 4,172 |
| **Investing activities** | | | |
| Purchases of investments | | **(107,627)** | (210,345) |
| Sales of investments | | **163,293** | 243,361 |
| Capital gains tax on sales | | **(660)** | (701) |
| **Net cash inflow from investing activities** | | **55,006** | 32,315 |
| **Financing activities** | | | |
| Equity dividends paid | 8 | **(7,725)** | (8,041) |
| Buyback of Ordinary shares | | **(23,824)** | (23,807) |
| Repayment of bank loans | | **(20,000)** | (65,000) |
| Drawdown of bank loans | | **-** | 60,000 |
| **Net cash used in financing activities** | | **(51,549)** | (36,848) |
| **Increase/(decrease) in cash and cash equivalents** | | **6,988** | (361) |
| **Analysis of changes in cash and cash equivalents during the year** | | | |
| Opening balance | | **5,094** | 5,000 |
| Effect of exchange rate fluctuations on cash held | | **(1,140)** | 455 |
| Increase/(decrease) in cash and cash equivalents as above | | **6,988** | (361) |
| **Closing cash and cash equivalents** | | **10,942** | 5,094 |
| **Represented by:** | | | |
| Money market funds | | **5,001** | 1,000 |
| Cash and short term deposits | | **5,941** | 4,094 |
| | | **10,942** | 5,094 |

The accompanying notes on pages 85 to 104 are an integral part of the financial statements.

# Notes to the Financial Statements

## For the year ended 31 August 2023

### 1. Principal activity

The Company is a closed-end investment company, registered in Scotland No SC106049, with its Ordinary shares being listed on the London Stock Exchange.

### 2. Accounting policies

(a) **Basis of preparation**. The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Companies Act 2006 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in July 2022. 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 the assumption that approval as an investment trust will continue to be granted. The accounting policies applied are unchanged from the prior year and have been applied consistently.

The Company's investments and borrowings are made in a number of currencies, however the Board considers the Company's functional currency to be Sterling. In arriving at this conclusion, the Board considered that the shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom, principally having its shareholder base in the United Kingdom, pays dividends and expenses in Sterling. Consequently, the Board also considers the Company's presentational currency to be Sterling.

**Going concern**. The Directors have undertaken a rigorous review and believe that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements. This conclusion is consistent with the longer term Viability Statement on page 25.

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale. The Board has set limits for borrowing and regularly reviews the level of any gearing, cash flow projections and compliance with banking and loan covenants.

The Directors are mindful of the principal risks and uncertainties disclosed on pages 19 to 22 including the refinancing risk arising in July 2024, and have reviewed forecasts detailing revenues and liabilities and undertaken sensitivity analysis. The Directors are satisfied that 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. 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 in July 2024. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year and considered the Company's Statement of Financial Position as at 31 August 2023 which shows net current liabilities of £28.0 million at that date. The Directors believe that adopting a going concern basis of accounting remains appropriate.

**Significant accounting judgements, estimates and assumptions**. The preparation of financial statements requires the consideration of certain significant accounting judgements, estimates and assumptions when management may need to exercise its judgement in the process of applying the accounting policies and these are continually evaluated. The Directors do not consider there to be any significant estimates within the financial statements.

(b) **Investments.** Listed investments have been designated upon initial recognition as held at fair value through profit or loss. Investments are recognised and de-recognised on the trade date at fair value, which is generally deemed to be the cost of the investment at that point. Subsequent to initial recognition, investments are valued at fair value, which for listed investments is deemed to be bid market prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange. Gains and losses arising from changes in fair value are included as a capital item in the Income Statement and are ultimately recognised in the capital reserve.

**(c)** **Income.** Dividends (other than special 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. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the foregone cash dividend is recognised as income. Any excess in the value of the shares received over the amount of cash dividend foregone is recognised in capital reserves. Interest receivable on bank balances is dealt with on an accruals basis.

**(d)** **Expenses.** All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Statement of Comprehensive Income except as follows:

– expenses directly relating to the acquisition or disposal of an investment, which are charged to the capital column of the Statement of Comprehensive Income and are separately identified and disclosed in note 10; and

– the Company charges 75% of investment management fees and finance costs to the capital column and 25% to the revenue column of the Statement of Comprehensive Income, in accordance with the Board's expected long term return in the form of capital gains and income respectively from the investment portfolio of the Company.

**(e)** **Taxation.** The tax expense represents the sum of the tax currently payable and deferred tax. Tax payable is based on the taxable profit for the year. Taxable profit differs from profit before tax 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 have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised in respect of all temporary differences 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 temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise, using enacted tax rates that are expected to apply at the date the deferred tax position is unwound.

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

**Called-up share capital.** The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve. This reserve is not distributable.

**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 20p. This reserve is not distributable.

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

**Capital reserve.** This reserve reflects any gains or losses on investments realised in the period along with any increases and decreases in the fair value of investments held that have been recognised in the Statement of Comprehensive Income. The realised gains part of reserve is distributable for the purpose of funding share buybacks and dividends.

**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. The amount of the revenue reserve as at 31 August 2023 may not be available at the time of any future distribution due to movements between 31 August 2023 and the date of distribution.

When making a distribution to shareholders, the Directors determine profits available for distribution by reference to Guidance on realised and distributable profits under the Companies Act 2006 issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland in April 2017. The availability of distributable reserves in the Company is dependent on those dividends meeting the definition of qualifying consideration within the guidance and on available cash resources of the Company and other accessible sources of funds. The distributable reserves are therefore subject to any future restrictions or limitations at the time such distribution is made.

(g) **Foreign currency.** Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the reporting date. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses on the realisation of foreign currencies are recognised in the Statement of Comprehensive Income and are then transferred to the capital reserve. Unrealised and realised gains and losses on foreign currency movements on investments held through profit or loss are recognised in the capital column of the Statement of Comprehensive Income.

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

(i) **Treasury shares.** When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effect, and is recognised as a deduction from the capital reserve. When these shares are sold subsequently, the amount received is recognised as an increase in equity, and any resulting surplus on the transaction is transferred to the share premium account and any resulting deficit is transferred from the capital reserve.

(j) **Cash and cash equivalents.** Cash comprises cash at bank and in hand. Cash equivalents are short-term, comprising money market funds and highly-liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

(k) **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 25% to revenue and 75% to capital.

# Notes to the Financial Statements

## Continued

## 3. Income

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| **Income from investments** | | |
| Overseas dividend income | **11,618** | 11,098 |
| | **11,618** | 11,098 |

| | | |
|---|---|---|
| **Other income** | | |
| Deposit interest | **140** | 12 |
| Interest from money market funds | **71** | 17 |
| | **211** | 29 |
| **Total income** | **11,829** | 11,127 |

## 4. Investment management fee

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Investment management fee | **960** | **2,879** | **3,839** | 1,097 | 3,290 | 4,387 |

Management fees paid to abrdn Fund Managers Limited ("aFML" or "the Manager") are calculated at 0.85% per annum on net assets up to £350 million and 0.50% per annum thereafter. Management fees are calculated and payable on a quarterly basis.

Net assets, per the management agreement, and for the purposes of the management fee calculation exclude (i) the value of any investment funds managed by the Manager and (ii) 50% of the value of any investment funds managed or advised by investment managers other than the Manager. During the year and at the year end, the Company held £5,001,000 (2022 – £1,000,000) in Aberdeen Standard Liquidity Fund (Lux) – Sterling Fund which is managed and administered by abrdn. The Company pays a management fee on the value of these holdings but no fee is chargeable at the underlying fund level.

The balance due to the Manager at the year end was £905,000 (2022 – £2,125,000).

The management agreement is terminable by the Company on three months' notice or in the event of a change of control in the ownership of the Manager. The notice period required to be given by the Manager is six months.

## 5. Administrative expenses

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Promotional activities | **240** | 214 |
| Directors' fees | **180** | 171 |
| Custody fees | **219** | 261 |
| Depositary fees | **53** | 61 |
| Auditors remuneration: Fees payable to the Company's auditor for | | |
| – audit of the Company's annual report | **45** | 35 |
| Legal and professional fees | **49** | (6) |
| Other expenses[A] | **270** | 271 |
| | **1,056** | 1,007 |

[A] Includes £2,000 (2022 – £nil) paid in relation to costs associated with the combination with abrdn New Dawn Investment Trust PLC and charged to capital.

The Company has an agreement with abrdn Fund Managers Limited for the provision of promotional activities. The total fees paid and payable under the agreement were £240,000 (2022 – £214,000) and the sum due to the Manager at the year end was £160,000 (2022 – £133,000).

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

The Company does not have any employees.

## 6. Interest payable and similar charges

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Interest on bank loans | **533** | **1,600** | **2,133** | 266 | 798 | 1,064 |
| Bank interest paid | **1** | **2** | **3** | – | – | – |
| | **534** | **1,602** | **2,136** | 266 | 798 | 1,064 |

# Notes to the Financial Statements

## Continued

## 7. Taxation

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| **(a) Analysis of charge for the year** | | | | | | |
| Indian capital gains tax charge on sales | **–** | **660** | **660** | – | 701 | 701 |
| Overseas tax suffered | **1,015** | **–** | **1,015** | 967 | – | 967 |
| **Total current tax charge for the year** | **1,015** | **660** | **1,675** | 967 | 701 | 1,668 |
| Movement of deferred tax liability on Indian capital gains | | **(326)** | **(326)** | – | (1,408) | (1,408) |
| **Total tax charge for the year** | **1,015** | **334** | **1,349** | 967 | (707) | 260 |

On 1 April 2018, the Indian Government withdrew an exemption from capital gains tax on investments held for twelve months or longer. Accordingly, the Company has recognised a deferred tax liability of £2,074,000 (2022 – £2,401,000) on capital gains which may arise if Indian investments are sold.

The Company has not recognised a deferred tax asset of £27,361,000 (2022 – £25,673,000) arising as a result of excess management expenses and non-trading loan relationship deficits. These expenses will only be utilised if the Company has profits chargeable to UK corporation tax in the future. The Finance Act 2021 received Royal Assent on 10 June 2021 and the rate of Corporation Tax of 25% effective from 1 April 2023 has been used to calculate the potential deferred tax asset.

**(b) Factors affecting the tax charge for the year**. The tax assessed for the year is lower (2022 – lower) than the effective rate of corporation tax in the UK.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Return before taxation | **9,281** | **(111,675)** | **(102,394)** | 8,757 | (69,018) | (60,261) |
| | | | | | | |
| Effective rate of corporation tax at 21.5% (2022 – 19%) | **1,996** | **(24,010)** | **(22,014)** | 1,664 | (13,113) | (11,449) |
| Effects of: | | | | | | |
| Losses on investments not taxable | **–** | **22,801** | **22,801** | – | 12,423 | 12,423 |
| Currency losses/(gains) not taxable | **–** | **245** | **245** | – | (86) | (86) |
| Other non-taxable income | **(2,498)** | **–** | **(2,498)** | (2,109) | – | (2,109) |
| Expenses not deductible for tax purposes | **14** | **–** | **14** | 4 | – | 4 |
| Increase in excess expenses and loan relationship deficit | **488** | **964** | **1,452** | 441 | 776 | 1,217 |
| Indian capital gains tax charge on sales | **–** | **660** | **660** | – | 701 | 701 |
| Movement in deferred tax liability on Indian capital gains | **–** | **(326)** | **(326)** | – | (1,408) | (1,408) |
| Net overseas tax suffered | **1,015** | **–** | **1,015** | 967 | – | 967 |
| **Total tax charge for year** | **1,015** | **334** | **1,349** | 967 | (707) | 260 |

## 8. Dividends

In order to comply with the requirements of Sections 1158 – 1159 of the Corporation Tax Act 2010 and with company law, the Company is required to make a final dividend distribution.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 – 1159 are considered. The revenue available for distribution by way of dividend for the year is £8,266,000 (2022 – £7,790,000).

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Proposed final dividend for 2023 – 6.60p per Ordinary share (2022 – 6.50p) | **7,443** | 7,725 |

The final dividend will be paid on 15 December 2023 to shareholders who were on the register at the close of business on 27 October 2023.

## 9. Return per share

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | £'000 | pence | £'000 | pence |
| Revenue return | **8,266** | **7.06** | 7,790 | 6.38 |
| Capital return | **(112,009)** | **(95.72)** | (68,311) | (55.91) |
| **Total return** | **(103,743)** | **(88.66)** | (60,521) | (49.53) |

| | 2023 | 2022 |
|---|---|---|
| **Weighted average Ordinary shares in issue** | **117,009,550** | 122,191,909 |

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

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Opening book cost | **527,477** | 524,806 |
| Opening investment holding gains | **144,902** | 241,988 |
| **Opening fair value** | **672,379** | 766,794 |
| **Analysis of transactions made during the year** | | |
| Purchases at cost | **107,610** | 210,181 |
| Sales – proceeds | **(164,718)** | (239,211) |
| Losses on investments | **(106,052)** | (65,385) |
| **Closing fair value** | **509,219** | 672,379 |
| | | |
| Closing book cost | **476,806** | 527,477 |
| Closing investment gains | **32,413** | 144,902 |
| **Closing fair value** | **509,219** | 672,379 |

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Investments listed on an overseas investment exchange | **509,219** | 672,379 |

The Company received £164,718,000 (2022 – £239,211,000) from investments sold in the period. The book cost of these investments when they were purchased was £158,281,000 (2022 – £207,510,000). These investments have been revalued over time and until they were sold any unrealised (losses)/gains were included in the fair value of 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 on investments in the Statement of Comprehensive Income. The total costs were as follows:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Purchases | **165** | 273 |
| Sales | **301** | 495 |
| | **466** | 768 |

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 and prepayments

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Accrued income | **443** | 339 |
| Overseas withholding tax recoverable | **1,148** | 1,455 |
| Amounts due from brokers | **1,425** | – |
| Other debtors and prepayments | **98** | 899 |
| | **3,114** | 2,693 |

## 12. Cash and cash equivalents

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Cash at bank and in hand | **5,941** | 4,094 |
| Money market funds | **5,001** | 1,000 |
| | **10,942** | 5,094 |

## 13. Creditors

| (a) Bank loans | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Falling due within one year | **40,000** | 35,000 |
| Falling due in more than one year | **–** | 25,000 |
| Unamortised expenses | **(8)** | (17) |
| | **39,992** | 59,983 |

The Company has a £50,000,000 multi-currency revolving facility with The Royal Bank of Scotland International Limited, London Branch. The agreement was entered into on 29 July 2022 with a termination date of 29 July 2024. At the year end £15,000,000 of this facility had been drawn down at a rate of 6.184% which matured on 25 September 2023. At the date of this Report the Company had drawn down £15,000,000 at a rate of 6.188%.

On 29 July 2022, the Company entered into a new fixed loan facility agreement of £25,000,000 at an interest rate of 3.5575% with The Royal Bank of Scotland International Limited, London Branch, with a termination date of 29 July 2024. The facility has been drawn down in full. The agreement of this facility incurred an arrangement fee of £18,140, which will be amortised over the life of the loan.

The agreements contains the following covenants:

- the net asset value of the Company shall not at any time be less than £375 million.
- consolidated gross borrowings expressed as a percentage of adjusted portfolio value shall not exceed 25% at any time.
- the number of eligible investments shall not be less than 30 at any time.

All covenants have been complied with throughout the year.

| (b) Other creditors – falling due within one year | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Amounts due to brokers | **–** | 17 |
| Amounts due for the purchase of own shares to treasury | **178** | 270 |
| Other amounts due | **1,862** | 3,126 |
| | **2,040** | 3,413 |

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| (c) Deferred tax liability on Indian capital gains | **2,074** | 2,401 |

## 14. Called-up share capital

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Allotted, called-up and fully paid: | | |
| Ordinary shares of 20p (2022: 20p) | **22,749** | 23,937 |
| Treasury shares | **9,173** | 7,985 |
| | **31,922** | 31,922 |

| | Ordinary shares Number | Treasury shares Number | Total shares Number |
|---|---|---|---|
| At 31 August 2022 | 119,686,001 | 39,925,676 | 159,611,677 |
| Buyback of own shares | (5,940,615) | 5,940,615 | – |
| **At 31 August 2023** | **113,745,386** | **45,866,291** | **159,611,677** |

During the year 5,940,615 Ordinary shares of 20p each were purchased to be held in treasury by the Company (2022 – 5,080,349) at a total cost of £23,732,000 (2022 – £23,998,000). At the year end 45,866,291 (2022 – 39,925,676) Ordinary shares of 20p each were held in treasury, which represents 29% (2022 – 25%) of the Company's total issued share capital at 31 August 2023.

Since the year end a further 973,136 Ordinary shares of 20p each have been purchased by the Company at a total cost of £3,446,000 all of which were held in treasury.

## 15. Capital reserve

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| At 1 September 2022 | **453,273** | 545,582 |
| Movement in fair value gains | **(106,052)** | (65,385) |
| Foreign exchange movement | **(1,140)** | 455 |
| Buyback of Ordinary shares for treasury | **(23,732)** | (23,998) |
| Expenses allocated to capital | **(4,483)** | (4,088) |
| Movement in capital gains tax charge | **(334)** | 707 |
| **As at 31 August 2023** | **317,532** | 453,273 |

The capital reserve includes investment holding gains amounting to £32,413,000 (2022 – £144,902,000), as disclosed in note 10.

# Notes to the Financial Statements

## Continued

### 16. Net asset value per share

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

| | 2023 | 2022 |
|---|---|---|
| Net assets attributable to the Ordinary shareholders (£'000) | **479,169** | 614,369 |
| Number of Ordinary shares in issue[A] | **113,745,386** | 119,686,001 |
| Net asset value per share (p) | **421.26** | 513.32 |

[A] Excluding shares held in treasury.

### 17. Analysis of changes in net debt

| | At 1 September 2022 £'000 | Currency differences £'000 | Cash flows £'000 | Non-cash movements £'000 | At 31 August 2023 £'000 |
|---|---|---|---|---|---|
| Cash and short term deposits | **5,094** | **(1,140)** | **6,988** | **-** | **10,942** |
| Debt due within one year | **(35,000)** | **-** | **20,000** | **(24,992)** | **(39,992)** |
| Debt due after one year | **(24,983)** | **-** | **-** | **24,983** | **-** |
| | **(54,889)** | **(1,140)** | **26,988** | **(9)** | **(29,050)** |

| | At 1 September 2021 £'000 | Currency differences £'000 | Cash flows £'000 | Non-cash movements £'000 | At 31 August 2022 £'000 |
|---|---|---|---|---|---|
| Cash and short term deposits | 5,000 | 455 | (361) | - | 5,094 |
| Debt due within one year | (64,998) | - | 30,000 | (2) | (35,000) |
| Debt due after one year | - | - | (25,000) | 17 | (24,983) |
| | (59,998) | 455 | 4,639 | 15 | (54,889) |

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. 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 securities and other investments, cash balances, bank loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

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

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

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

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

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

**Risk management.** The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk, currency risk and 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. The Company is exposed to gearing risk which has the effect of exacerbating market falls and gains. The level of net gearing is shown on page 5. Details of the loan facilities the Company has in place can be found in note 13 on page 94.

**Interest rate risk**. Interest rate movements may affect the level of income receivable on cash deposits.

**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.

**Interest risk profile**. The interest rate risk profile of the portfolio 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 August 2023 | Weighted average period for which rate is fixed Years | Weighted average interest rate % | Fixed rate £'000 | Floating rate £'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Sterling | – | 2.27 | – | 10,809 |
| US Dollar | – | – | – | 8 |
| Vietnamese Dong | – | – | – | 125 |
| **Total assets** | n/a | n/a | – | 10,942 |
| | | | | |
| *Liabilities* | | | | |
| Short-term loan – £15,000,000 | 0.07 | 6.18 | 15,000 | – |
| Short-term loan – £25,000,000 | 0.91 | 3.56 | 24,992 | – |
| | – | – | 39,992 | – |

| At 31 August 2022 | Weighted average period for which rate is fixed Years | Weighted average interest rate % | Fixed rate £'000 | Floating rate £'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Sterling | – | 0.40 | – | 3,852 |
| Hong Kong Dollars | – | – | – | 5 |
| Indian Rupee | – | – | – | 4 |
| US Dollar | – | – | – | 9 |
| Vietnamese Dong | – | – | – | 1,224 |
| **Total assets** | n/a | n/a | – | 5,094 |
| | | | | |
| *Liabilities* | | | | |
| Short-term loan – £35,000,000 | 0.07 | 2.69 | 35,000 | – |
| Long-term loan – £25,000,000 | 1.91 | 3.56 | 24,983 | – |
| | – | – | 59,983 | – |

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

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, with the exception of short-term borrowings, 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 profit.

**Foreign currency risk**. The majority 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 investments with foreign currency borrowings.

The Statement of Comprehensive Income is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of listing of incorporation is as follows:

| | 31 August 2023 | | | 31 August 2022 | | |
|---|---|---|---|---|---|---|
| | Overseas investments £'000 | Net monetary assets £'000 | Total currency exposure £'000 | Overseas investments £'000 | Net monetary assets £'000 | Total currency exposure £'000 |
| Chinese Yuan[A] | **162,736** | **–** | **162,736** | 223,048 | – | 223,048 |
| Hong Kong Dollar[A] | **53,957** | **–** | **53,957** | 58,956 | (12) | 58,944 |
| Indian Rupee | **93,524** | **1,253** | **94,777** | 119,143 | 4 | 119,147 |
| Indonesian Rupiah | **10,953** | **–** | **10,953** | 32,155 | – | 32,155 |
| Korean Won | **58,001** | **–** | **58,001** | 63,678 | – | 63,678 |
| Netherlands Euro | **5,184** | **–** | **5,184** | – | – | – |
| Philippine Peso | **13,154** | **172** | **13,326** | 17,311 | – | 17,311 |
| Singapore Dollar | **21,414** | **–** | **21,414** | 41,014 | – | 41,014 |
| Taiwanese Dollar | **76,989** | **–** | **76,989** | 90,125 | – | 90,125 |
| Thailand Baht | **–** | **–** | **–** | 15,457 | – | 15,457 |
| US Dollar[A] | **–** | **8** | **8** | – | 9 | 9 |
| Vietnamese Dong | **13,307** | **125** | **13,432** | 11,492 | 1,224 | 12,716 |
| | **509,219** | **1,558** | **510,777** | 672,379 | 1,225 | 673,604 |
| Sterling | **–** | **10,631** | **10,631** | – | 3,582 | 3,582 |
| **Total** | **509,219** | **12,189** | **521,408** | 672,379 | 4,807 | 677,186 |

[A] If currency denomination of overseas investments is used then exposure for Chinese Yuan is £61,709,000 (2022 – £97,032,000), for Hong Kong Dollar £151,283,000 (2022 – £184,972,000) and for US Dollar £3,701,000 (2022 – nil).

**Foreign currency sensitivity**. The following table details the Company's sensitivity to a 10% increase and decrease in sterling against the foreign currencies in which the Company has exposure as set out in the foreign currency risk table above.

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Chinese Yuan | **16,274** | 22,305 |
| Hong Kong Dollar | **5,396** | 5,894 |
| Indian Rupee | **9,478** | 11,915 |
| Indonesian Rupiah | **1,095** | 3,215 |
| Korean Won | **5,800** | 6,368 |
| Netherlands Euro | **518** | – |
| Philippine Peso | **1,333** | 1,731 |
| Singapore Dollar | **2,141** | 4,101 |
| Taiwanese Dollar | **7,699** | 9,012 |
| Thailand Baht | **–** | 1,546 |
| US Dollar | **1** | 1 |
| Vietnamese Dong | **1,343** | 1,272 |
| | **51,078** | 67,360 |

**Other price risk**. Other price risks (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

**Management of the risk**. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. Both the allocation of assets and the stock selection process, as detailed on pages 18 and 19, 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 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 August 2023 would have increased/decreased by £50,922,000 (2022 – increased/decreased by £67,238,000) 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 Company's assets mainly comprise readily realisable securities which can be sold to meet funding requirements if necessary. In order to monitor the concentration of Dragon's investee companies with abrdn, the total percentage holdings of those securities owned by abrdn-managed funds is reviewed by the Board.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions, and reviews these on a regular basis. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 20%. Short-term flexibility can be achieved through the use of loan and overdraft facilities.

**Liquidity risk exposure**. At 31 August 2023, the Company had drawn down £15,000,000 from a £50,000,000 Revolving Facility Agreement with The Royal Bank of Scotland International Limited, London Branch, which matured on 25 September 2023. At the date of this Report the Company had drawn down £15,000,000 at a rate of 6.188%. There was a further facility of £25,000,000 with The Royal Bank of Scotland International Limited, London Branch due for repayment on 29 July 2024, details of which are disclosed in note 13 on page 94.

**Management of the risk**

– investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;

– the risk of counterparty, including the Depositary, exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, the third party administrators' carries out a stock reconciliation to the Depositary's records on a daily basis to ensure discrepancies are picked up on a timely basis. The Manager's Compliance department carries out periodic reviews of the Depositary'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;

– cash is held only with reputable banks with high quality external credit enhancements.

None of the Company's financial assets are 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 August was as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Current assets** | **Balance Sheet £'000** | **Maximum exposure £'000** | **Balance Sheet £'000** | **Maximum exposure £'000** |
| Loans and receivables | **3,092** | **3,092** | 2,693 | 2,693 |
| Cash and cash equivalents | **10,942** | **10,942** | 5,094 | 5,094 |
| | **14,034** | **14,034** | 7,787 | 7,787 |

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

Maturity of financial liabilities. The maturity profile of the Company's financial liabilities at 31 August was as follows:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| In less than one year | **42,032** | 38,413 |
| In more than one year * | **–** | 24,983 |
| | **42,032** | 63,396 |

* Excludes Indian CGT liability.

**Fair value of financial assets and liabilities**. The fair value of the term loan is £25,000,000 as at 31 August 2023 (2022 – £25,942,000) compared to an accounts value in the financial statements of £24,992,000 (2022 – £24,983,000) (note 13). Due to the term loan now being short-term in nature, the fair value and the accounts value are deemed to be the same (excluding unamortised expenses). The fair value of each loan 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. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices.

## 19. 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. The fair value hierarchy shall have the following classifications:

**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: i**nputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

**Level 3:** inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities (2022 – same) which are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments as at 31 August 2023 of £509,219,000 (31 August 2022 – £672,379,000) has therefore been deemed as Level 1.

## 20. 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 disclosed within the Directors' Remuneration Report on page 70.

The Company has an agreement in place with aFML for the provision of management and administration services, promotional activities and secretarial services. Details of transactions during the year and balances outstanding at the year end disclosed in notes 4 and 5.

At the year end the Company had £5,001,000 (31 August 2022 – £1,000,000 ) invested in Aberdeen Standard Liquidity Fund (Lux) – Sterling Fund which is managed and administered by abrdn plc. The Company pays a management fee on the value of these holdings but no fee is chargeable at the underlying fund level.

On 22 September 2023 the Company published a Prospectus and Circular including proposals to combine with abrdn New Dawn Investment Trust plc ("New Dawn"), with an effective date of 8 November 2023. Under the terms of transaction aFML has agreed that, with effect from 8 November 2023, the management fee payable by the Company to aFML will be reduced to 0.75%. per annum on the initial £350 million of the Company's NAV and 0.50% per annum thereafter. aFML has also agreed to make a contribution to the costs of the combination by means of a reduction in the management fee payable by the enlarged Company to aFML. The fee reduction will constitute a waiver of the management fee that would otherwise be payable by the enlarged Company to aFML in respect of the assets transferred by New Dawn to the Company pursuant to the combination for the first six months following the effective date of 8 November 2023. This contribution is subject to the Company not terminating the management agreement (other than for cause as provided for under the management agreement) within three years from the effective date of 8 November 2023, failing which the enlarged Company will be obliged to repay all or part of this contribution (depending on the point of termination and reducing by one-third on each anniversary of the effective date of 8 November 2023).

## 21. Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that the Company will be able to continue as a going concern; and

– to maximise the capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board has imposed a maximum gearing level of 20% of net assets.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market, and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company has no externally imposed capital requirements.

## 22. Subsequent events

On 21 July 2023 the Company announced that it had agreed terms with the board of abrdn New Dawn Investment Trust plc ("New Dawn") in respect of a proposed combination of the assets of the Company with those of New Dawn. Shareholders were sent documentation in September explaining that this is to be effected by way of a scheme of reconstruction and winding up of New Dawn under section 110 of the Insolvency Act 1986 (the "Scheme") and the associated transfer of the majority of the cash, assets and undertaking of New Dawn to the Company in exchange for the issue of new Ordinary shares in the Company to those New Dawn shareholders who so elect.

Shareholders approved the Scheme proposals at the Company's General Meeting held on 25 October 2023 and New Dawn's shareholders approved the Scheme proposals at their General Meeting held on 23 October 2023 paving the way for the Scheme to progress. On the basis of the current timetable, should the Scheme proceed, it is expected that the combination of the Company and New Dawn will take place on or around 8 November 2023.

# Corporate Information

The Manager is a subsidiary of abrdn plc. Assets under the management and administration of abrdn were £496 billion at 30 June 2023

# Alternative Performance Measures (Unaudited)

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.

## 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. The highest and lowest discount during the year is shown on page 35.

| | | 31 August 2023 | 31 August 2022 |
|---|---|---|---|
| NAV per Ordinary share (p) | a | **421.26** | 513.32 |
| Share price (p) | b | **353.00** | 446.00 |
| Discount | (a-b)/a | **16.2%** | 13.1% |

## 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 to and from brokers at the year end as well as cash and short term deposits.

| | | 31 August 2023 | 31 August 2022 |
|---|---|---|---|
| Borrowings (£'000) | a | **39,992** | 59,983 |
| Cash (£'000) | b | **10,942** | 5,094 |
| Amounts due to brokers (£'000) | c | **–** | 287 |
| Amounts due from brokers (£'000) | d | **1,425** | – |
| Shareholders' funds (£'000) | e | **479,169** | 614,369 |
| **Net gearing** | (a-b+c-d)/e | **5.8%** | 9.0% |

## 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 published daily net asset values with debt at fair value published throughout the year.

| | 2023 | 2022 |
|---|---|---|
| Investment management fees (£'000) | **3,839** | 4,387 |
| Administrative expenses (£'000) | **1,056** | 1,007 |
| Less: non-recurring charges[A] (£'000) | **(7)** | (33) |
| **Ongoing charges (£'000)** | **4,888** | 5,361 |
| **Average net assets (£'000)** | **538,331** | 640,938 |
| **Ongoing charges ratio** | **0.91%** | 0.84% |

[A] Comprises legal and professional fees which are not expected to recur.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which among other things, includes the cost of borrowings and transaction costs.

## 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. Share price and NAV total returns are monitored against open-ended and closed-ended competitors, and the Benchmark Index, respectively.

| **Year ended 31 August 2023** | | **NAV** | **Share Price** |
|---|---|---|---|
| Opening at 1 September 2022 | a | **513.32p** | **446.00p** |
| Closing at 31 August 2023 | b | **421.26p** | **353.00p** |
| Price movements | c=(b/a)-1 | **-17.9%** | **-20.9%** |
| Dividend reinvestment[A] | d | **1.2%** | **1.4%** |
| **Total return** | c+d | **-16.7%** | **-19.5%** |

| **Year ended 31 August 2022** | | **NAV** | **Share Price** |
|---|---|---|---|
| Opening at 1 September 2021 | a | 566.60p | 512.00p |
| Closing at 31 August 2022 | b | 513.32p | 446.00p |
| Price movements | c=(b/a)-1 | -9.4% | -12.9% |
| Dividend reinvestment[A] | d | 1.0% | 1.1% |
| **Total return** | c+d | -8.4% | -11.8% |

[A] NAV total return involves investing 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 reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

# Information about the Investment Manager

## abrdn Fund Managers Limited

abrdn Fund Managers Limited ("aFML"), authorised and regulated by the Financial Conduct Authority, has been appointed as the alternative investment fund manager to the Company. aFML has in turn delegated portfolio management to abrdn (Asia) Limited.

## abrdn (Asia) Limited ("abrdn Asia")

abrdn Asia is the investment manager of the Company. abrdn Asia is based in Singapore and is a wholly owned subsidiary of abrdn plc. Assets under the management and administration of abrdn were equivalent to £496 billion as at 30 June 2023.

## The Investment Team Senior Managers

### Pruksa Iamthongthong

The Company's Portfolio Manager

Pruksa graduated with a BA in Business Administration from Chulalongkorn University, Thailand and is a Chartered Financial Analyst®. She joined abrdn Asia in 2007 and became Co-manager to Asia Dragon in 2019.

Pruksa is part of the investment team managing Chinese Equities and jointly covers Greater China with her Singapore and Hong Kong-based colleagues. She also sits on the Asia Pacific ex Japan Equities investment team, where she is responsible for company research and portfolio construction.

### James Thom

The Company's Portfolio Manager

James Thom joined the Asian Equities Team at abrdn in 2010 from Actis, the emerging markets private equity firm. James graduated with an MBA from INSEAD, an MA from Johns Hopkins University and a BSc from University College London. He is based in Singapore.

James is a Senior Investment Director on the Asian equities team, based in Singapore and is responsible for both Asian and Indian equity strategies and is co-portfolio manager of abrdn's flagship Asia Pacific ex-Japan strategy.

### Hugh Young

Chairman, abrdn Asia

Hugh graduated with a BA in Politics from Exeter University. He started his investment career in 1980 and has been in charge of abrdn Asia's Far East funds since 1985.

### Flavia Cheong

Head of Equities, abrdn Asia

Flavia graduated with a Masters in Economics from University of Auckland. She started her investment career in 1987 at Investment Company of the People's Republic of China and Development Bank of Singapore before joining abrdn Asia in 1996.

# Investor Information

## Keeping You Informed

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

You can also register for regular email updates by visiting **asiadragontrust.co.uk** or by activating the QR Code below using the camera on your smart phone:

SCAN ME

## abrdn Social Media Accounts

Twitter: **@abrdnTrusts**

LinkedIn: **abrdn Investment Trusts**

## Investor Warning

The Board has been made aware by abrdn that some investors have received telephone calls from people purporting to work for the Manager, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares. These callers do not work for abrdn and any third party making such offers has no link with abrdn. abrdn never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, they should not offer any personal information, end the call and contact abrdn's investor services centre using the details provided below.

## Shareholder Enquiries

In the event of queries regarding their holdings of shares, lost certificates dividend payments, registered details, etc shareholders holding their shares in the Company directly should contact the registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing West Sussex BN99 6DA Tel: 0371 384 2416 Lines open 8:30am to 5:30pm (UK time), Monday to Friday, (excluding public holidays in England and Wales). Calls may be recorded and monitored randomly for security and training purposes. Changes of address must be notified to the registrars in writing.

Any general enquiries about the Company should be directed to the Company Secretary, Asia Dragon Trust plc, 1 George Street, Edinburgh EH2 2LL or by email **CEF.CoSec@abrdn.com**.

If you have any questions about an investment held through the abrdn Share Plan, ISA or Investment Plan for Children, please telephone the Manager's Customer Services Department on 0808 500 0040. Alternatively, email **inv.trusts@abrdn.com** or write to abrdn Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

## Suitable for Retail/NMPI Status

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

The Company currently conducts its affairs so that its securities can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's (FCA) rules in relation to non-mainstream pooled investments (NMPIs) and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found in the 'Literature' section of the Company's website: **asiadragontrust.co.uk**.

# Investor Information

## Continued

### How to invest in Asia Dragon Trust plc and other abrdn managed investment trusts

A range of leading investment platforms and share dealing services let you buy and sell abrdn-managed investment trusts including Asia Dragon Trust plc.

Many of these platforms operate on an 'execution-only' basis. This means they can carry out your instruction to buy or sell a particular investment trust. But they may not be able to advise on suitable investments for you. If you require advice, please speak to a qualified financial adviser (see below).

**A note about the abrdn Investment Trust Savings Plans (the 'Plans')**

In June 2023, abrdn notified existing investors in the abrdn Investment Trusts ISA, Share Plan and Investment Plan for Children that these plans will be closing in December 2023. The Plans are no longer open to new investors. If you are an existing investor in the Plans and have any queries, please contact abrdn's Investor Services department on 0808 500 4000 or 00 44 1268 448 222 from overseas. The lines are open from 9am to 5pm Monday to Friday. Call charges will vary. Alternatively, please contact abrdn by email at **inv.trusts@abrdn.com**. Email is not a secure form of communication so you should not send any personal or sensitive information.

## Platform providers

Platforms featuring abrdn managed investment trusts include:

interactive investor:
**www.ii.co.uk/investment-trusts**

AJ Bell:
**www.ajbell.co.uk/markets/investment-trusts**

Barclays Smart Investor:
**www.barclays.co.uk/smart-investor**

Charles Stanley Direct:
**www.charles-stanley-direct.co.uk**

Fidelity:
**www.fidelity.co.uk**

Halifax:
**www.halifax.co.uk/investing**

Hargreaves Lansdown:
**www.hl.co.uk/shares/investment-trusts**

The companies above are shown for illustrative purposes only. Other platform providers are available. The links above direct you to external websites operated by each platform provider. abrdn is not responsible for the content and information on these third-party sites.

**Flexibility**

Many investment platform providers will allow you to buy and hold abrdn Investment Trust shares within an Individual Savings Account (ISA), Junior ISA or Self Invested Personal Pension (SIPP), all of which have potential tax advantages. Most will also allow you to invest on both a lump sum and regular savings basis.

**Costs and service**

It is important to choose the right platform for your needs, so take time to research what each platform offers before you make your decision, as well as considering charges. When it comes to charges, some platforms have flat fee structures while others levy percentage-based charges. Typically, you will also pay a fee every time you buy and sell shares, so you need to bear in mind these transaction costs if you are trading frequently. There may also be additional charges for ISA and SIPP investments.

**Can I exercise my voting rights if I hold my shares through an investment platform?**

Yes, you should be able to exercise your right to vote by contacting your platform provider. Procedures differ, but some platforms will automatically alert you when new statutory documents are available and then allow you to vote online. Others will require you to contact them to vote. Your chosen platform provider will provide further guidance.

## Discretionary Private Client Stockbrokers

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

**Independent Financial Advisers**

To find an adviser who recommends on investment trusts, visit **unbiased.co.uk**.

**Regulation of Stockbrokers**

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

Tel: 0800 111 6768 or **at https://register.fca.org.uk/** or email: **register@fca.org.uk**

## Getting advice

abrdn recommends that you seek financial advice prior to making an investment decision. If you do not currently have a financial adviser, details of authorised financial advisers in your area can be found at **www.pimfa.co.uk** or **www.unbiased.co.uk**. You will pay a fee for advisory services.

## Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested. As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread. Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

*The information on pages 109 to 111 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Investments Limited which is authorised and regulated by the Financial Conduct Authority*

# Glossary of Terms

## abrdn plc or the Group
The abrdn plc group of companies. abrdn plc.

## aFML, AIFM or Manager
abrdn Fund Managers Limited ("aFML") is a wholly owned subsidiary of abrdn plc and acts as the Alternative Investment Fund Manager ("AIFM") for the Company. It is authorised and regulated by the Financial Conduct Authority.

## abrdn Asia or Investment Manager
abrdn (Asia) Limited ("abrdn Asia" or "Investment Manager") is a subsidiary company of abrdn plc which has been delegated responsibility for the Company's day-to-day investment management.

## Asset Cover
The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

## AIFMD
Alternative Investment Fund Managers Directive

## Discount
The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

## Dividend Cover
Earnings per share divided by dividends per share expressed as a ratio.

## Dividend Yield
The annual dividend expressed as a percentage of the share price.

## ESG
Environmental, social and governance (ESG) factors, which are considered in all investment decisions.

## FCA
Financial Conduct Authority.

## Key Information Document (KID)
The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website.

## Leverage
For the purposes of the Alternative Investment Fund Managers ("AIFM") Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

## Listing Rules
The Financial Conduct Authority's Listing Rules are a set of regulations that are applicable to all companies that are listed on the London Stock Exchange.

## Net Asset Value ("NAV")
The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

## Net Gearing
Net gearing is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.

## NMPIs
Non-mainstream pooled investment products.

## Ongoing Charges
Ratio of ongoing expenses expressed as percentage of average daily shareholders' funds calculated as per the industry standard.

## Pre-Investment Disclosure Document ("PIDD")

The AIFM and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a PIDD, which can be found on the Company's website.

## Premium

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

## Price/Earnings Ratio

The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

## Prior Charges

The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

## Total Assets

Total Assets less current liabilities (before deducting prior charges as defined above).

## Total Return

Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Trust on the date to which that dividend was earned, eg half year or year end date.

# Your Company's Share Capital History

## Year to 31 August 2023

113,745,386 Ordinary shares of 20p (with a further 45,866,291 shares held in treasury).

## Capital History

**Year to 31 August 2023**

5,940,615 Ordinary shares were repurchased into treasury

**Year to 31 August 2022**

5,080,349 Ordinary shares were repurchased into treasury.

**Year to 31 August 2021**

1,592,103 Ordinary shares were repurchased into treasury.

**Year to 31 August 2020**

2,390,395 Ordinary shares were repurchased into treasury.

**Year to 31 August 2019**

In January 2019, following a Tender Offer for up to 30% of the Ordinary shares of the Company at a discount of 2 per cent. to Formula Asset Value, 30% of the Ordinary shares (55,692,676 shares) were repurchased for cancellation at the repurchase price of 388.69p per share. 2,496,885 Ordinary shares were repurchased into treasury.

**Year to 31 August 2018**

14,405,297 Ordinary shares were issued following the final conversion of £44,678,748 nominal of CULS. 18,208,444 Ordinary shares were repurchased into treasury.

**Year to 31 August 2017**

4,868,554 Ordinary shares were issued following elections by CULS holders to convert £15,100,040 nominal of CULS. 4,636,200 Ordinary shares were repurchased into treasury.

**Year to 31 August 2016**

2,658 Ordinary shares were issued following elections by CULS holders to convert £8,254 nominal of CULS. 3,577,800 Ordinary shares were repurchased into treasury.

**Year to 31 August 2015**

3,085 Ordinary shares were issued following elections by CULS holders to convert £9,582 nominal of CULS. 352,000 Ordinary shares were repurchased for cancellation and 1,943,500 Ordinary shares were repurchased into treasury.

**Between 31 August 2011 and 31 August 2014**

30,409 Ordinary shares were issued following elections by CULS holders to convert £94,389 nominal of CULS.

**Year to 31 August 2011**

In January 2011, the Company issued £60 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS). In August 2011, 35,131 Ordinary shares were issued following elections by CULS holders to convert £108,987 nominal of CULS.

**Year to 31 August 2010**

In January 2010, following a Tender Offer for up to 15% of the Ordinary shares of the Company at a discount of 3 per cent. to Formula Asset Value, 15% of the Ordinary shares (34,643,156 shares) were repurchased for cancellation at the repurchase price of 197.2794p per share.

**2006-2009**

6,122,500 Ordinary shares were repurchased for cancellation in the year to 31 August 2008 and 200,000 Ordinary shares were repurchased for cancellation in the year to 31 August 2007.

**1993 – 2005**

In 1995 and 1996 the Company issued 841,571 Ordinary shares at a premium to the NAV.

All of the 5,864,444 warrants 1996 were converted in the period up to 31 January 1996, the final conversion date.

During the period 1998 – 2000 the Company repurchased 43,760,874 Ordinary shares for cancellation.

Prior to their final conversion date in 2005, 421,540 warrants 2005 were converted into Ordinary shares and 8,926,018 warrants 2005 were purchased for cancellation. The final conversion of 10,508,903 warrants 2005 took place in 2005.

**1987 – 1993**

The Company was launched in 1987 with a share capital of 120,000,000 Ordinary 5p shares and 24,000,000 warrants 1996. In 1989, following a placing and open offer, 192,000,000 Ordinary 5p shares and 38,400,000 warrants 2005 were issued. In April 1993, following the acquisition of Drayton Asia Trust plc, the Company issued 740,002,520 Ordinary shares and 42,086,268 warrants 2005. During the period 1987-1993, 542,223 warrants 1996 and 1,060,423 warrants 2005 were converted into Ordinary shares. In November 1993, following a four for one consolidation, the Company's issued share capital was 263,401,291 Ordinary 20p shares, 5,864,444 warrants 1996 and 19,856,461 warrants 2005.

# Alternative Investment Fund Managers Directive Disclosures (Unaudited)

abrdn Fund Managers Limited ("aFML") and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website. There have been no material changes to the disclosures contained within the PIDD since its publication in November 2022.

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

- Information on the investment strategy and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 18 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by aFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the Company's AIFM remuneration policy is available from the Company Secretary, abrdn Holdings Limited on request (see contact details on page 109) and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2022 are available on the Company's website.

## Leverage

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

| | Gross method | Commitment method |
|---|---|---|
| Maximum level of leverage | 2.50:1 | 2.00:1 |
| Actual level at 31 August 2023 | 1.15:1 | 1.17:1 |

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

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

# General

The Company's thirty-fifth AGM will be held in Scotland this year and will take place on 7 December 2023 at 9:00 a.m. in the Esk Suite, The Balmoral Hotel, 1 Princes Street Edinburgh EH2 2EQ

# Notice of Annual General Meeting

Notice is hereby given that the thirty-fifth annual general meeting of Asia Dragon Trust plc will be held on 7 December 2023 at 9:00 a.m. in the Esk Suite, The Balmoral Hotel, 1 Princes Street Edinburgh EH2 2EQ to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 15 inclusive will be proposed as ordinary resolutions and resolutions 16 to 18 inclusive will be proposed as special resolutions:

## Ordinary Resolutions

1. To receive and adopt the audited financial statements of the Company for the financial year to 31 August 2023 and the reports of the Directors and the auditors on those financial statements.
2. To receive, adopt and approve the Directors' Remuneration Report, excluding the Directors' Remuneration Policy, for the financial year to 31 August 2023 which appears on pages 68 to 70 of the Annual Report and financial statements for the financial year to 31 August 2023.
3. To approve the Directors' Remuneration Policy, the full text of which appears on page 68 and 69 of the Annual Report and financial statements for the financial year to 31 August 2023.
4. To approve payment of a final dividend of 6.6p per Ordinary share in respect of the financial year ended 31 August 2023 payable on 15 December 2023 to holders of Ordinary shares on the register of members as at the close of business on 27 October 2023.
5. To re-elect James Will as a Director of the Company.
6. To re-elect Gaynor Coley as a Director of the Company.
7. To re-elect Susan Sternglass Noble as a Director of the Company.
8. To re-elect Charlie Ricketts as a Director of the Company.
9. To re-elect Matthew Dobbs as a Director of the Company.
10. To elect Stephen Suchon as a Director of the Company.
11. To elect Nicole Yuen as a Director of the Company.
12. To elect Donald Workman as a Director of the Company.
13. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
14. To authorise the Directors to determine the remuneration of the auditors of the Company for the financial year to 31 August 2024.
15. That, in substitution for any pre-existing authority but without prejudice to the exercise of any such authority prior to the passing of this resolution, the directors of the Company (the "Directors") be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("securities") up to an aggregate nominal amount of £7.52 million or, if less, the number representing 33.3% of the Company's issued Ordinary share capital (excluding Treasury shares) as at the date of passing of this resolution, generally from time to time on such terms as the Directors may determine, such authority to expire on 28 February 2025 or, if earlier, at the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution, (unless previously revoked, varied or extended by the Company in general meeting), save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

# Notice of Annual General Meeting

## Continued

### Special Resolutions

16. That, subject to the passing of resolution 15 as set out in the notice of the 2024 annual general meeting ("Resolution 15"), and in substitution for any existing power under Sections 570 and 573 of the Companies Act 2006 (the "Act") (but without prejudice to the exercise of any such authority prior to the passing of this resolution), the Directors be and are hereby generally and unconditionally empowered, pursuant to Sections 570 and 573 of the Act, to allot or make offers or agreements to allot, equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 15 and/or by way of a sale of treasury shares for cash (within the meaning of Section 560 (3) of the Act) as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall:

    i. be limited to the allotment of equity securities and the sale of treasury shares up to an aggregate nominal amount of £1.13 million or, if less, the number representing 5% of the Company's issued Ordinary share capital (excluding Treasury shares) as at the date of passing of this resolution; and;

    ii. expire on 28 February 2025 or, if earlier, at the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred hereby had not expired.

17. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the passing of this resolution, the Company be and is hereby generally and unconditionally authorised, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 20p each in the capital of the Company ("shares") on such terms and in such manner as the Directors of the Company may from time to time determine (either for cancellation or for retention as treasury shares for future re-issue, resale, transfer or cancellation), provided that:

    i. the maximum aggregate number of shares hereby authorised to be purchased is 16.91 million or, if less, the number representing 14.99% of the issued Ordinary share capital of the Company (excluding treasury shares) immediately prior to the passing of this resolution;

    ii. the minimum price which may be paid for a share pursuant to this authority shall be 20p (exclusive of expenses);

    iii. the maximum price (exclusive of expenses) which may be paid for a share purchased pursuant to this authority shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for a share for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade of a share and the highest current independent bid for such a share on the London Stock Exchange at the time the purchase is carried out; and

    iv. unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire on 28 February 2025 or, if earlier, at the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

18. That a general meeting (other than an Annual General Meeting) may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution.

**By order of the Board**
**abrdn Holdings Limited**
Company Secretary
2 November 2023

**Registered Office**
1 George Street
Edinburgh EH2 2LL

## Notes

i. A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share.

ii. A form of proxy for use by shareholders is enclosed with this document. Completion and return of the form of proxy will not prevent any shareholder from attending the Meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority at the address stated thereon, so as to be received not later than 9:00 a.m. on 5 December 2023.

iii. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than 6.30pm on 5 December 2023 (or, in the event that the Meeting is adjourned, at 6.30pm on the day which is two business days before the time of the adjourned meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.

iv. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

v. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 9:00 a.m. on 5 December 2023 (or in the event the Meeting is adjourned no later than 48 hours (excluding non-working days) before the time of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

vi. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

vii. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

viii. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 9:00 a.m. on 5 December 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

ix. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes (i) and (ii) above does not apply to nominated persons. The rights described in these notes can only be exercised by members of the Company.

x. No Director has a service contract with the Company but copies of the Directors' letters of appointment will be available for inspection at the Meeting venue for at least 15 minutes prior to the Meeting and during the Meeting.

xi. As at close of business on 2 November 2023 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 112,772,250 Ordinary shares of 20 pence each and there were a further 46,839,427 shares held in treasury. Each Ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at close of business on 2 November 2023 is 112,772,250. Treasury shares represent 29.3% of the total issued Ordinary share capital of the Company (inclusive of treasury shares).

xii. Any person holding 3% or more of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

xiii. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

xiv. The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's financial statements, including the Auditor's Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: The Company Secretary, Asia Dragon Trust plc, 1 George Street EH2 2LL.

xv. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website,**asiadragontrust.co.uk.**

xvi. Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the Meeting put by a member attending the Meeting unless:

- answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

xvii. Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

xviii. There are special arrangements for holders of shares through the abrdn Investment Plan for Children, Investment Trust Share Plan and Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

# Corporate Information

## Directors
James Will (Chairman)
Gaynor Coley
Matthew Dobbs
Susan Sternglass Noble
Charlie Ricketts

## Manager

**Alternative Investment Fund Manager**

abrdn Fund Managers Limited
280 Bishopsgate
London EC2M 4AG
(authorised and regulated by the Financial Conduct Authority)

**abrdn.com**

## Investment Manager
abrdn (Asia) Limited
(a subsidiary of abrdn plc)

## Secretary and Registered Office
abrdn Holdings Limited
1 George Street
Edinburgh EH2 2LL

## Website
**asiadragontrust.co.uk**

## Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

**0371 384 2499**
**equiniti.com**

## Depositary
BNP Paribas Trust Corporation UK Limited

## Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

## Broker
Winterflood Securities
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

## Foreign Account Tax Compliance Act ("FATCA") Registration Number ("GIIN")
IRS Registration Number (GIIN): 2WA1VW.99999.SL.826

## Legal Entity Identifier ("LEI")
549300W4KB0D75D1N730

## Company Registration Number
SC106049

MIX
Paper | Supporting responsible forestry
FSC® C001785
FSC www.fsc.org

## Important Information

Launched in 1987, the Company is an investment company and its Ordinary shares are listed on the premium segment of the London Stock Exchange. It is a member of the Association of Investment Companies ("AIC").

The Company is governed by a Board of Directors, all of whom are non-executive and independent. Like many other investment companies, it outsources its investment management and administration to an investment management group, abrdn plc.

## Investment Objective (*up to 25 October 2023*)

To achieve long-term capital growth through investment in Asia, with the exception of Japan and Australasia. Investments are made primarily in stock markets in the region, principally in large companies. When appropriate, the Company will utilise gearing to maximise long term returns.

## Investment Objective (*from 25 October 2023*)

The Company aims to achieve long-term capital growth principally through investment in companies in the Asia Pacific region, excluding Japan (the "Investment Region").

For more information visit **www.asiadragontrust.co.uk**

**abrdn.com**