abrdn China Investment Company Limited

Annual Report 31 October 2023

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

abrdnchina.co.uk

Contents

Financial Highlights

Financial Highlights

	31 October 2023	31 October 2022	% change
Total equity shareholders' funds (net assets)	**£213,247,000**	£231,843,000	–8.0
Market capitalisation	**167,197,000**	202,870,000	
Net asset value per Ordinary share (including current year income)	**499.97p**	511.98p	–2.3
Net asset value per Ordinary share (excluding current year income)[A]	**499.00p**	507.89p	–1.8
Share price (mid market)	**392.00p**	448.00p	–12.5
Discount to net asset value per Ordinary share (including current year income)[B]	**21.6%**	12.5%	
Discount to net asset value per Ordinary share (excluding current year income)[A]	**21.4%**	11.8%	
MSCI AC China All Shares Index (currency adjusted, capital gains basis)	**1,953.68**	1,885.64	+3.6
Net gearing/(cash)[B]	**3.1%**	–3.6%	
Dividend and earnings			
Revenue return per share	**0.95p**	4.00p	–76.3
Dividends per share[C]	**–**	3.20p	–100.0
Dividend cover	**N/A**	1.25	
Revenue reserve[D]	**(£3,226,000)**	(£3,640,000)	
Operating costs			
Ongoing charges ratio[BE]	**1.07%**	0.60%	

[A] Based on capital only NAV.
[B] Considered to be an Alternative Performance Measure (see pages 72 to 73 for details).
[C] The figures for dividends reflect the years in which they were earned (see note 8 on page 59).
[D] Prior to payment of proposed Interim dividend.
[E] 2022 includes the effect of the management fee waiver arrangement following the combination with Aberdeen New Thai Investment Trust in November 2021.

Performance (total return)

	1 year % return	3 years % return	5 years % return	since 31/10/2021 % return
Net asset value[A]	–1.9	–26.0	–8.1	–38.2
Share price[A]	–12.0	–32.7	–14.6	–43.3
MSCI China All Shares Index (currency adjusted)	+6.1	–31.8	+6.4	–27.3

[A] Alternative Performance Measure (see page 73).

Strategic Report – Chairman's Statement

Overview

China has proved a challenging country for many investors over the 12 months to 31 October 2023 ("the Financial Year"). Overall, Chinese equities (as represented by the MSCI China All Shares Index), were up 6.1% in sterling terms, but this belies the significant volatility investors experienced during the Financial Year in which investors sought out value stocks over those considered higher quality. The abrdn China Investment Company Limited ("the Company" or "ACIC") net asset value ("NAV") total return for the Financial Year was -1.9% and the Ordinary share price total return was -12.0% in sterling terms, with the discount ranging from 10.8% in February 2023 to 21.6% in October 2023, trading at an average discount of 14.4% throughout the Financial Year.

Market review

The Financial Year began with optimism for recovery as the zero-Covid measures swiftly rolled back on 1 November 2022. Investors hoped that pent-up consumer demand would herald a strong economic recovery. However, the reality did not live up to market expectations. The economic recovery was not as smooth as many had anticipated and the predicted rebound fell short of expectations.

Meanwhile, investor confidence was also eroded by several lingering issues. Alongside geopolitical tensions between the US and China, there have been concerns over liquidity in China's real estate sector and the country's Local Government Financing Vehicles, which have amassed large levels of debt funding China's infrastructure boom. While government policy has been supportive, it has come through in small ripples rather than one big wave as investors had hoped. Again, the mismatch in expectations has been the cause of market volatility over the Financial Year.

Against this backdrop, many investors switched their focus away from high-quality structural growth companies favoured by your Manager and backed short-term trends, notably artificial intelligence ("AI") and China's state-owned enterprises ("SOE"). Investors were focused on deep value opportunities in SOE-heavy sectors such as energy and financials. Your Manager remains cautious about investing in these areas, preferring to take a long-term view. While AI-related businesses have seen a large rise in their share prices in a very short time, the popularity among investors is not necessarily matched by the relevant companies' fundamentals. While SOE reform is promising for some companies, it is important to consider whether the reforms are aligned with the needs of minority shareholders.

Performance

In terms of the Company's performance, the area hardest hit was the portfolio's consumption-focused holdings. With consumer confidence fragile across a wide section of the Chinese economy, these businesses saw their share prices suffer despite strong fundamentals and solid results. The strongest relative contribution to performance at a sector level was from communication services. You can read in more detail about the performance and portfolio activity in the Investment Managers Report on page 7.

The Board visited China and Hong Kong in October 2023. Due to the previous limitations of zero-Covid travel restrictions, this was the Board's first opportunity to meet the Company's wider investment and support teams in person since the Company's change of investment mandate in November 2021. The visit was an excellent chance to talk to the team in more detail about the current challenges and long-term opportunities in the Chinese market and how the portfolio can best reflect these.

Earnings & Dividend

Net revenue earnings after tax for the Financial Year to 31 October 2023 were £414K as compared to £1,851K in 2022. Most of the difference can be attributed to the Company having benefited from a fee waiver for six months of the previous year and the rise in the cost of debt as interest rates have risen.

The Company will not be declaring a dividend for the Financial Year (2022: 3.2 pence per share). Last year's dividend was required to be paid because the surplus earnings generated as a result of the fee waiver from your Manager reduced the cost base, such that a dividend was required for the Company to qualify as an investment trust. This year the costs are normalised and there is not sufficient excess income to necessitate a dividend.

Proposal for the Reconstruction and Voluntary Winding-up of the Company

On 28 November 2023, the Board announced that heads of terms had been agreed in principle for a proposed combination of the assets of the Company with the assets of Fidelity China Special Situations PLC ("Fidelity China") (the "Proposals"). The Board believes the Proposals will benefit shareholders in the Company ("Shareholders") going forward. Fidelity China is the top performing, largest and most liquid UK investment trust investing in China. The combination, if approved by each company's shareholders, will be implemented through a Guernsey scheme of reconstruction, under which the Company will be placed into voluntary liquidation and part of its cash, assets and undertaking will be transferred to Fidelity China in exchange for the issue of new ordinary shares in Fidelity China to Shareholders.

We have posted a circular to shareholders convening general meetings for Monday 11 March 2024 and Wednesday 13 March 2024 at which Shareholders will be asked to approve the resolutions necessary to effect the Proposals. Details of the business to be considered at each general meeting and directions for voting are included in the circular. It is expected that the effective date for the completion of the Proposals and members' voluntary liquidation, will take place before the deadline for the convening of an Annual General Meeting in respect of the Financial Year, which is 30 April 2024. In the event that the effective date of the Proposals is delayed beyond 30 April 2024 a Notice of AGM will be published and an Annual General Meeting in respect of the Financial Year will have to be convened, but this is viewed as unlikely.

Loan Facility and Gearing

During the Financial Year, the Company amended its two year £15 million revolving credit facility with the Industrial and Commercial Bank of China ("ICBC"). In September 2023, the Company agreed with ICBC an amendment to the financial covenants within the Loan Facility with ICBC. It was agreed that the acceptable Net Asset Value ("NAV") of the Company should be reduced from £200 million to £175 million. It was also agreed that, should the Company's NAV reach £250 million then the minimum NAV covenant would revert back to £200 million. The Company's option to increase the level of the commitment from £15 million to £30 million is subject to a minimum NAV of £200 million.

The Loan Facility was due to expire on 13 April 2024. However, on 15 January 2024, the loan was fully repaid and cancelled in anticipation of the completion of the Proposals.

Discount and buy backs

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

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

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

During the Financial Year, ACIC bought back 2,631,266 shares or 4.2% of the share capital in issue at a cost of £13.78 million and a weighted average discount of 13.78%. This enhanced the Company's NAV by 0.79%.

The Company has not bought back any shares since the Financial Year End.

Chairman's Statement

Continued

Management Team

The Board has been impressed by the calibre, experience and insight of the investment team that has been managing the Company's portfolio, and commends it to Shareholders. The Board is keen to stress the rationale for the Proposals is not driven by any shortcomings in the portfolio management, but by issues of liquidity which have proved insurmountable given the market's change in sentiment towards China.

Board Composition

There have been no changes to the Board Composition during the financial year. It is expected that the Board will all resign when the Company is put into liquidation at the end of the combination process.

I would like to thank my fellow Board Members for their support and guidance during a challenging year and for their assistance in the coming months.

Change of Portfolio Administrator, Depositary, Registered Office, Custodian and Company Secretary

In April 2023, the Company completed the process of moving most of its support functions to various entities within BNP Paribas S.A. Group ("BNP"). The depositary and administration of the portfolio moved to BNP Paribas S.A., Guernsey Branch. The registered office of the Company moved to BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA. The custodian was also moved to BNP Paribas S.A. At the same time abrdn Holdings Limited was appointed Company Secretary.

The Board decided to make these changes as BNP is the preferred service partner of the Company's Investment Manager, abrdn plc, and currently BNP provides these services to the majority of the investment companies that abrdn plc manages.

Annual General Meeting ("AGM")

Normally, the notice of the Company's AGM would accompany this Annual Report and the AGM would take place in mid-April.

However, in light of the Proposals, it is likely that the Company will be placed into voluntary liquidation before the Company's AGM would be scheduled to take place. The Board will update shareholders on the timings of all shareholder meetings once these are confirmed by notice of meeting as usual and by announcement on the London Stock Exchange.

Outlook

The Company's portfolio retains a significant exposure to stocks which are heavily influenced by Chinese consumers and, although the quick economic rebound some had expected has yet to emerge and recovery has been slower than anticipated, it is surely a matter of ***when***, not ***if*** this gathers momentum. While negative headlines may have discouraged many foreign investors in recent months, there are still reasons for optimism for those investors looking for long-term capital growth in China.

Policy guidance is likely to remain supportive. China's government is introducing fiscal and monetary measures that should promote domestic consumption and enhance liquidity in the system. A large step forward came when the government announced plans to provide 1 trillion renminbi of low-cost financing for urban village renovations and affordable housing programmes. While not a panacea, this should help stabilise the country's property sector, generate demand and restore household confidence.

In terms of geopolitics, after the Financial Year end, US president Joe Biden met China's premier Xi Jinping. While most commentators considered this meeting as not an unqualified success, dialogue between the two states is a positive step toward easing relations.

The Board remains convinced of the long-term investment potential in China and hope that Shareholders will embrace the opportunity to be part of the larger, more liquid, Fidelity China Special Situations PLC and will benefit from the latter's extensive experience of investing in China.

Helen Green
Chairman
16 February 2024

Investment Managers Report

Market Environment

The Financial Year was marked by considerable market volatility, with a sharp contrast between strong performance in the first six months, followed by an extended period of weakness in the second half. At the beginning of the Financial Year, the central government's strict Covid policies hampered economic progress. As the authorities pivoted to reliance on herd immunity, policies were removed more quickly than expected. This effectively brought to an end to the nationwide zero-Covid policy. Share prices briefly surged on hopes of a big increase in activity, fuelled by the knowledge that considerable demand had built up during the Covid lockdowns. However, the strength of the recovery proved rather underwhelming and short-lived and company reports began to indicate that the market had run ahead of corporate fundamentals.

Other factors also began to influence sentiment. Among them was the difficult global macroeconomic backdrop, as many central banks tightened monetary policy as they attempted to stem inflationary pressures. Added to this was a flare-up in geopolitical tensions between the US and China. At home, there were growing concerns about the financial health of China's domestic real estate sector. Liquidity problems made life very difficult for some of the heavily indebted property giants, epitomised by Country Garden, one of the country's top three developers, which subsequently defaulted on an international bond. The high level of debt held by local government was also a concern, given the cost of servicing the debt and the fact that it is not permitted to sell land.

As China's economic recovery faltered, calls mounted for central government measures to support demand. Gradually some measures were implemented, but it became clear government was hesitant to provide the level of support investors expected, preferring to drip-feed a range of small, targeted measures, as opposed to an immediate and powerful boost.

The mood was lifted by a Politburo meeting in July when the government indicated a significantly increased level of economic support, aimed at improving the operating environment for private enterprises and the platform economy, boosting capital markets, and increasing investor confidence. Other measures included support aimed at the struggling property sector, including 1 trillion yuan in planned government bond issuance for infrastructure investment. Towards the end of the Financial Year there were signs the medicine was beginning to work, with third-quarter Gross Domestic Product ("GDP") better than expected.

If the global macroeconomic picture remains soft, more support may well be necessary, especially in the real estate sector. For investors, history suggests a patient, long-term approach leads to the best returns and that is likely to be the case once again in China.

Investment Themes

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

Aspiration: We expect consumer companies to fare well as China strives for a self-sufficient economic model. Positioning goods and services as high-quality, in part to gain pricing power is a powerful consumer trend. We believe urbanisation and rising middle-class wealth will drive demand for premium goods and services in the long-run.

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

Green: This theme is set to benefit from government policy on decarbonisation and net-zero emissions by 2060. China dominates global manufacturing capacity for renewable energy and storage, accounting for 90% of solar and 75% of battery capacity and is well positioned to benefit from the huge global investment required in renewable energy and electricity storage. Other industries also need to decarbonise, so we expect greater investment in upgrading machinery and increasing energy efficiency. Our holdings include solar wafer-producers, component-makers, battery and related component-makers and automation-related firms.

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

Investment Managers Report

Continued

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

Portfolio Performance

During the Financial Year, the Company's NAV total return was -1.9%, underperforming the total return of the MSCI China All Shares Index ("the Benchmark"). The Ordinary share price total return was -12.0% in sterling terms.

As referenced by your Chairman on page 4, while the market rose over the Financial Year, many of the top performing stocks were clustered around two specific themes: artificial intelligence ("AI") systems, including the rise of ChatGPT, and the reform of state-owned enterprises ("SOEs"). There was a notable move away from growth-orientated stocks to those offering more value, so our focus on quality companies detracted from performance.

Looking in more detail at the portfolio, the underperformance relative to the Benchmark was driven mainly by poor stock selection in three sectors: financials, consumer discretionary and information technology. With fragile domestic consumer confidence across a wide section of the Chinese economy, initial hopes of a strong recovery faded, and domestic investors rotated away from consumer names. As a result, some of our consumption-focused holdings suffered despite having strong fundamentals and posting solid results. Travel retailer **China Tourism Group Duty Free (China Tourism)** and food flavourings group **Foshan Haitian** were examples of this. Despite the negative sentiment, some of the Company's other consumer holdings were still able to deliver earnings growth, including **Kweichow Moutai**, **Midea Group** and **Fuyao Glass**.

There were also some contrasting fortunes from our China internet names over the year. **Pinduoduo** ("PDD") performed well after it exceeded the market's expectations with higher merchandise volumes, lower costs, and improved profitability. We brought it into the portfolio in the first half of the year for several reasons. It has expanded into the US through its Temu subsidiary and, in China, gained market share by offering its customers better value for money. We think the value of the overseas operations is not yet fully reflected in the stock. In the same space, **JD.com** underperformed due to some investors concerned about increasing competition in the e-commerce space.

The gaming sector proved more resilient than other consumer activities and returns from our holdings were strong, especially **Tencent** and **Netease**, which outperformed over the year. Steady growth and diversified revenue streams were the main attractions at Tencent while Netease benefited from product launches which were well received.

On a less positive note, two of our holdings in the alternative energy sector, **Longi Green Energy Technology** (Longi) and **Sungrow Power Supply**, proved to be a drag on performance. Solar panel producer Longi fell back on concerns over a potential drop in demand as well as geopolitical tensions. We reduced our position in the stock, although Longi remains the world's leading solar mono-wafer manufacturer with a cost advantage versus peers and a strong distribution network. Elsewhere, **Yunnan New Material** was also weak over the year, affected by the market's concerns about over capacity in the battery separator segment and rising geopolitical tension obstructing its growth overseas.

Within the information technology sector, construction software company **Glodon** dropped back after underwhelming results and concerns about the real estate sector. We remain confident about the company's prospects as property developers focus increasingly on cost management and operational efficiency.

Helping to mitigate some of the losses in the sector was a strong contribution from component maker **Maxscend Microelectronics**, which delivered solid results and was boosted by signs of a pickup in mobile phone sales.

Portfolio Activity

The changes made to existing holdings over the year fell broadly into two categories. Firstly, we exited stocks where we did not want to hold a position through volatile market conditions, or where we expected fundamental weakness to outweigh promising long-term potential. Secondly, we increased our positions in existing holdings in quality businesses when valuations reached very attractive levels and we had more confidence in near-term earnings. As such, adjustments have been stock-specific and not related to broad themes or sectors.

In terms of new positions, we introduced **BYD**, a leading new-energy electric vehicle manufacturer that controls multiple steps in its supply chain. We also established a new position in drivetrain components manufacturer **Zhejiang Shuanghuan**. The company's products have wide application across a range of machinery, including internal combustion engine vehicles, electric vehicles, and motorcycles.

We added **China Resources Beer**, a conglomerate with businesses including retail, beverages, food processing and distribution, which is run by a strong management team, for its balanced combination of defensive and growth brands. In financial services, we established a new position including **China Life**, which looks set to benefit from improving life insurance sales in China.

Finally, in the property sector, we added China's largest online real estate broker, **KE Holdings**, which boasts a diverse range of growing businesses related to property. As restrictions on property transactions begin to ease, we expect the company will see growing transaction volumes in the secondary market and, over the long-term, continue to increase its market share.

As mentioned in the Interim Report, the Company received regulatory approval for a Qualified Foreign Investor ("QFI") licence status, which provides access to the broader Chinese equity market. As a result of this, we purchased two new stocks: **Centre Testing International** and OPT **Machine Vision**.

Conversely, we exited real estate firm China Vanke, following sustained pressure on property developers and piecemeal support from the government and sold our stake in data-centre operator GDS as increased competition from large cloud businesses and state-owned enterprises had raised the level of uncertainty over GDS's earnings recovery. Other sales included Anhui Conch Cement, Shenzhou International and Meidong Auto.

Outlook

China's post-Covid economic recovery was weaker than expected, but the central government is implementing incremental measures to support the economy and we remain optimistic about the longer-term case for investing in Chinese equities.

There are already signs the economy is responding to the economic stimulus measures implemented so far by the central government. While some property developers continue to struggle under large debt burdens, further support measures may be required.

At a time when markets in Europe and the US are having to cope with the higher interest rate environment, China's market offers a differentiated opportunity to investors. Some high-quality names have been sold off into the cyclical downturn, but the potential for a recovery could now provide a dual tailwind for these stocks. We have already seen early signs of this in the IT hardware sector, one of the first industries where de-stocking has been completed.

We continue to believe the best strategy is to focus on quality companies. It was reassuring to see that, despite the challenging conditions, around 74% of the companies we hold reported results that were at least in line with market expectations. Towards the end of the Financial Year, we saw nascent signs that investors are refocusing on fundamentals.

Volatile markets can often throw up compelling opportunities for investors. Across several sectors we are finding high-quality companies trading at attractive valuations. In some cases, these are businesses with strong growth profiles trading on valuations more typical of companies with little or no growth.

We expect a focus on quality and a disciplined approach to stock-picking should bear fruit as the recovery gathers pace. Stimulus measures will gradually lead to better prospects for consumers, helped further as they begin to use some of the considerable household savings built up in recent years. As a result, we continue to believe strongly in the long-term growth potential of China.

Nicholas Yeo and Elizabeth Kwik
abrdn Hong Kong Limited
16 February 2024

Portfolio – Ten Largest Investments

As at 31 October 2023

Tencent Holdings Ltd
(9.7% of net assets)
An innovative leader in China's internet sector with a strong presence in fintech and cloud segments, backed by an entrenched social media and payment ecosystem.

Kweichow Moutai Co Ltd
(7.0% of net assets)
The largest maker of Chinese alcohol spirit Baijiu, positioned in the ultra premium space where there are few competitors. The company is well placed to capture rising domestic consumption trends in China.

Alibaba Group Holding Ltd
(5.9% of net assets)
A leading global e-commerce company with leading platforms including Taobao and T-mall. The company also has interests in logistics and media as well as cloud computing platforms and payments.

China Merchants Bank Co Ltd
(4.0% of net assets)
A best-in-class retail bank in China, offering diversified financial services with a solid track record and sound risk management practices.

PDD Holdings Inc
(3.7% of net assets)
The owner of popular shopping app Pinduoduo, which is gaining market share within China's e-commerce sector.

AIA Group Ltd
(3.2% of net assets)
A leading pan-Asian life insurance company, it is poised to take advantage of Asia's growing affluence, backed by an effective agency sales force and a strong balance sheet.

Contemporary Amperex Technology Co Ltd
(3.0% of net assets)
The largest lithium battery maker in the world with leading technology and supply chain advantage, which is set to benefit from rise of electric vehicles and energy storage.

Meituan Dianping
(2.8% of net assets)
A diversified online services platform with over 400 million users, offering services including food delivery, travel bookings and wedding planning. It is optimally placed to capture rising consumption in mainland China.

BYD
(2.8% of net assets)
The largest electric vehicle OEM in China, with its vertical integration providing the company with a cost advantage, strong supply chain management, and flexibility in the battery technology roadmap.

Bank of Ningbo Co Ltd
(2.7% of net assets)
A city bank focused on lending to small and medium enterprises in the affluent Ningbo-Zhejiang region. The bank has shown superior returns and asset quality over the years.

Portfolio

As at 31 October 2023

Company	Industry (sub-sector)	Value (£'000)	Percentage of net assets (%)
Tencent Holdings Ltd	Interactive Media & Services	20,740	9.7
Kweichow Moutai Co Ltd (A)	Beverages	14,874	7.0
Alibaba Group Holding Ltd	Broadline Retail	12,640	5.9
China Merchants Bank Co Ltd (AH)	Banks	8,573	4.0
PDD Holdings Inc	Broadline Retail	7,772	3.7
AIA Group Ltd	Insurance	6,885	3.2
Contemporary Amperex Technology Co Ltd (A)	Electrical Equipment	6,338	3.0
Meituan Dianping – Class B	Hotels, Restaurants & Leisure	6,066	2.8
BYD (AH)	Automobile Components	5,965	2.8
Bank of Ningbo Co Ltd (A)	Banks	5,738	2.7
Top ten investments		**95,591**	**44.8**
NetEase Inc	Entertainment	5,311	2.5
Wuxi Biologics Cayman Inc	Life Sciences Tools & Services	4,244	2.0
Aier Eye Hospital Group Co Ltd (A)	Health Care Providers & Services	4,204	2.0
Maxscend Microelectronics Co Ltd (A)	Electronic Equipment Instruments & Components	4,180	2.0
Shenzhen Mindray Bio-Medical Electronics Co Ltd (A)	Health Care Equipment & Supplies	4,170	2.0
Hong Kong Exchanges & Clearing Ltd	Capital Markets	4,165	1.9
JD.com Inc – Class A	Broadline Retail	3,988	1.9
Proya Cosmetics Co Ltd (A)	Personal Care Products	3,916	1.8
China Life Insurance (AH)	Insurance	3,806	1.8
Fuyao Glass Industry Group Co Ltd (H)	Automobile Components	3,660	1.7
Top twenty investments		**137,235**	**64.4**

Portfolio

Continued

As at 31 October 2023

Company	Industry (sub-sector)	Value (£'000)	Percentage of net assets (%)
Wanhua Chemical Group Co Ltd (A)	Chemicals	3,611	1.7
Ping An Bank Co Ltd (A)	Banks	3,595	1.7
China Tourism Group Duty Free Corp Ltd (AH)	Specialty Retail	3,416	1.6
Sungrow Power Supply Co Ltd (A)	Electrical Equipment	2,939	1.4
Sinoma Science & Technology Co Ltd (A)	Chemicals	2,891	1.3
China Resources Land Limited	Real Estate Management & Development	2,851	1.3
Nari Technology Co Ltd (A)	Electrical Equipment	2,847	1.3
Chacha Food Co Ltd (A)	Food Products	2,767	1.3
Centre Testing International Group Co Ltd (A)	Professional Services	2,766	1.3
Shanghai M&G Stationery Inc (A)	Commercial Services & Supplies	2,734	1.3
Top thirty investments		**167,652**	**78.6**
Hefei Meiya Optoelectronic Technology Inc (A)	Machinery	2,639	1.2
Midea Group Co Ltd (A)	Household Durables	2,598	1.2
Hundsun Technologies Inc (A)	Software	2,530	1.2
Jiangsu Hengrui Medicine Co Ltd (A)	Pharmaceuticals	2,479	1.2
Luxshare Precision Industry Co Ltd (A)	Electronic Equipment Instruments & Components	2,442	1.2
Foshan Haitian Flavouring & Food Co Ltd (A)	Food Products	2,360	1.1
Zhejiang Weixing New Building Materials Co Ltd (A)	Building Products	2,301	1.1
China Resources Beer	Beverages	2,230	1.0
Silergy Corp	Semiconductors & Semiconductor Equipment	2,177	1.0
Amoy Diagnostics Co Ltd (A)	Biotechnology	2,161	1.0
Top forty investments		**191,569**	**89.8**

As at 31 October 2023

Company	Industry (sub-sector)	Value (£'000)	Percentage of net assets (%)
Li Ning Co Ltd	Textiles, Apparel & Luxury Goods	2,144	1.0
Venustech Group Inc (A)	Software	2,100	1.0
Inner Mongolia Yili Industrial Group Co Ltd (A)	Food Products	2,083	1.0
Estun Automation Co Ltd (A)	Machinery	2,020	0.9
Yantai China Pet Foods Co Ltd (A)	Food Products	1,958	0.9
LONGi Green Energy Technology Co Ltd (A)	Semiconductors & Semiconductor Equipment	1,955	0.9
KE Holdings – Class A	Real Estate Management & Development	1,938	0.9
Zhejiang Shuanghuan Driveline Co Ltd (A)	Automobile Components	1,818	0.9
Glodon Co Ltd (A)	Software	1,680	0.8
StarPower Semiconductor Ltd (A)	Semiconductors & Semiconductor Equipment	1,661	0.8
Top fifty investments		**210,926**	**98.9**
By-Health Co Ltd (A)	Personal Care Products	1,634	0.8
Yunnan Energy New Material Co Ltd	Chemicals	1,616	0.8
Hangzhou Tigermed Consulting Co Ltd (H)	Life Sciences Tools & Services	1,331	0.6
OPT Machine Vision Tech Co Ltd (A)	Electronic Equipment Instruments & Components	1,243	0.6
Zai Lab Ltd	Biotechnology	1,173	0.6
China International Capital Corporation (H)	Capital Markets	1,146	0.5
Komodo Fund	Unit Trusts	909	0.4
Wuliangye Yibin Co Ltd (A)	Beverages	504	0.2
Total investments		**220,482**	**103.4**
Cash plus other net current assets and liabilities		(7,235)	(3.4)
Net assets		**213,247**	**100.0**

Governance – Board of Directors

Helen Green
Guernsey-resident Independent Non-Executive Chairman

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

Length of service:
7 years, appointed a Director on 1 July 2016 and as Chairman on 1 August 2022

Last re-elected to the Board:
13 April 2023

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

All other public company directorships:
Landore Resources Limited, CQS Natural Resources Growth and Income PLC, and JP Morgan Global Core Real Assets Limited.

Mark Bridgeman
UK-resident Independent Non-Executive Director and Chairman of the Audit Committee

Experience:
Until 2009, Mark had a 19 year executive career in fund management at Schroders plc, as an analyst, fund manager and latterly Global Head of Research. Previous roles at Schroders included Head of Pan European Research, Head of Global Sector Research and an Emerging Markets Fund Manager.

Length of service:
1 year, appointed a Director on 1 August 2022

Last re-elected to the Board:
13 April 2023

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

All other public company directorships:
Utilico Emerging Markets Trust plc

Eleonore de Rochechouart

UK-resident Independent Non-Executive Director

Experience:

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

Length of service:

4 years, appointed a Director on 16 April 2019

Last re-elected to the Board:

13 April 2023

Committee membership:

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

All other public company directorships:

Nil

Anne Gilding

UK-resident Independent Non-Executive Director

Experience:

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

Length of service:

2 years, appointed a Director on 9 November 2021

Last re-elected to the Board:

13 April 2023

Committee membership:

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

All other public company directorships:

Nil

Board of Directors

Continued

Sarah MacAulay

UK-resident Senior Independent Non-Executive Director

Experience:

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

Length of service:

2 years, appointed a Director on 9 November 2021

Last re-elected to the Board:

13 April 2023

Committee membership:

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

All other public company directorships:

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

Directors' Report

The Directors of abrdn China Investment Company Limited ("the Company") present the report and financial statements for the Financial Year ended 31 October 2023.

Investment Objective

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

Investment Policy

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

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

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

The portfolio is expected normally to comprise between 30 and 60 securities (including any unlisted securities held) but may hold up to 100. No individual issuer will represent a greater weight in the portfolio than the lower of (i) 10% or (ii) its weight in the MSCI China All Shares Index (in sterling terms) plus 5%, as measured at the time of investment. The maximum permitted exposure to a single group is 20% of the Company's total assets, as measured at the time of investment.

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

Risk Management

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

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

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

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

Directors' Report

Continued

Gearing

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

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

Business Activities

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

The Company became an investment trust with effect from 9 November 2021 and is registered in the UK for tax purposes.

Results

The Company's total comprehensive income for the Financial Year was a loss of £3,390,000 (2022: loss of £140,954,000). The Company's revenue return for the Financial Year amounted to a profit of £414,000 (2022: profit of £1,851,000).

Investment Report and Outlook

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

Key Performance Indicators ("KPIs")

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

a) The Company seeks to generate consistent relative returns ahead of those generated by its Benchmark.

b) The Company seeks to achieve a positive absolute return over the longer term through its exposure to Chinese equities.

Performance

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

Ongoing Charges

For the Financial Year ended 31 October 2023, the Company's ongoing charges figure, calculated using the Association of Investment Companies' ("AIC") methodology, was 1.07% (2022: 0.60%), the calculation of which can be found in the Alternative Performance Measures section of this Report. The ongoing charges figure for 2022 includes the effect of the management fee waiver arrangement following the combination with Aberdeen New Thai Investment Trust in November 2021.

Principal Risks and Uncertainties

The Board and Audit Committee carry out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. The Board also identifies emerging risks which might affect the Company.

The Board is aware that there are a number of principal risks and uncertainties which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board, through the Audit Committee carries out a robust assessment of the Company's principal and emerging risks, which include those that would threaten its business model, future performance, solvency, liquidity or reputation.

The principal risks and uncertainties faced by the Company have been reviewed by the Audit Committee in the form of a risk matrix and the Committee also gives consideration to the emerging risks facing the Company.

During the Financial Year, the Board identified the implications for the Company's investment portfolio of a changing climate, and the increased use of AI, as emerging risks which could impact investee companies in the future. The global geopolitical situation and investor attitudes towards China are also emerging, and crystalising risks.

The Board has continued to assess these emerging risks and their impact on the portfolio as they develop. The Board receives regular reporting from the Manager on its approach to engagement with investees on these emerging risks amongst a variety of different topics.

The principal risks currently facing the Company, together with a description of the mitigating actions the Board has taken, are set out in the table below.

The Board considers its risk appetite in relation to each principal risk and monitors this on an ongoing basis. Where a risk is approaching or is outside the tolerance level, the Board will consider taking action to manage the risk. Currently, the Board considers the risks to be managed within acceptable levels.

The principal risks associated with an investment in the Company's shares are published monthly in the Company's factsheet and they can be found in the pre-investment disclosure document ("PIDD") published by the Manager, both of which are available on the Company's website.

Risk	Trend	Mitigating Action
Strategy – the Company's objectives or the investment trust sector as a whole become unattractive to investors, leading to a fall in demand for the Company's shares.	↗	Through regular updates from the Manager, the Board has monitored the relevance of the Company's strategy, the performance of equity markets, the economic and political environment, risks to the delivery of the Company's strategy in light of the external environment and the discount/ premium at which the Company's shares have traded relative to the net asset value. It receives feedback from the Company's broker and updates from the Manager's investor relations team at Board meetings to help to better understand investor sentiment towards the Company and its strategy. The Company engaged with its largest shareholders extensively during the development of the Proposals. The Company consulted with a number of its major shareholders during the development of the Proposals. Those shareholders, which comprise approximately 73 per cent of the Company's shareholder register, have indicated support for the Proposals.
Investment Performance – the Board recognises that market risk is significant in achieving performance and it reviews investment guidelines to	↗	The Board meets the Manager on a regular basis and has kept investment performance under close review. The Board recognises that market risk is significant in achieving performance and consequently it reviews strategy and investment guidelines to ensure that these are appropriate.

Risk	Trend	Mitigating Action
ensure that they are appropriate. The Board regularly reviews the impact of geopolitical instability and change on market risk.		The Board has set and has monitored the investment restrictions and guidelines and regular reports are received from the Manager on stock selection, asset allocation, gearing, revenue forecasts and the costs of running the Company. Representatives of the Manager attend all Board meetings and a detailed formal appraisal of the Manager is carried out by the Management Engagement Committee on an annual basis to ensure that the continued appointment of the Manager remains in the best interests of the shareholders. The Board engages with shareholders at its AGM and with larger shareholders at least annually to listen to sentiment towards the Company and its performance directly. As set out above, the Company engaged with its largest shareholders extensively during the development of the Proposals in light of performance challenges during the year.
Exogenous risks such as health, social, financial, economic and geopolitical – the effects of instability or change arising from these risks could have an adverse impact on stock markets and the value of the investment portfolio.	↗	The Board has discussed issues as they emerged with the Manager. During the year under review, such issues included increased inflation and interest rates and the resulting volatility that it created in global stock markets, the Russian invasion of Ukraine and associated sanctions, investor attitudes towards China and equity markets, and the steps that the Manager had taken or might take to limit their impact on the portfolio and the operations of the Company. The Board oversees the Manager's performance at each Board Meeting and formally considers whether the Company's strategy remains fit for purpose, in light of exogenous risks. The Board also regularly discusses the economic environment, geopolitical risks, industry trends and the potential impact on the Company with the Company's broker.
Operational Risk – in common with most investment trusts, the Board delegates the operation of the business to third parties, the principal delegate being the Manager. Failure of internal controls and poor performance of any service provider could lead to disruption, reputational damage or loss to the Company.	⇔	The Audit Committee receives and reviews reports from the Manager on its internal controls and risk management (including an annual ISAE3402 Report). It also receives and reviews report from all its other significant service providers on at least an annual basis, including on matters relating to business continuity and cyber security. Written agreements are in place with all third party service providers. The Manager has monitored 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. 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 Risk – the Directors recognise the impact that an ineffective board, unable to discuss, review and make decisions, could have on the Company and its shareholders.	⇔	The Board is aware of the importance of effective leadership and board composition. The Board regularly reviews its own performance and, at least annually, formally reviews the performance of the Board and Chair through its performance evaluation process.

Risk	Trend	Mitigating Action
Discount / Premium to NAV – a significant share price discount or premium to net asset value per share could lead to high levels of uncertainty for shareholders.	↗	The Board has kept the level of the Company's discount / premium under regular review and has agreed parameters with the Manager for the management of share premium / discount to NAV. The Company has participated in the Manager's investment trust promotional programme where the Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on these meetings.
Financial obligations – inadequate controls over financial record keeping and forecasting, the setting of an inappropriate gearing strategy or the breaching of loan covenants could result in the Company being unable to meet its financial obligations, losses to the Company and its ability to continue trading as a going concern.	⇔	At each Board meeting, the Board reviewed management accounts and revenue forecasts. The Directors set the gearing policy within which the portfolio is managed. The Company's annual financial statements are audited by the independent auditor.
Legal and regulatory Risks – the Company operates in a complex legal and regulatory environment. As a Guernsey company investing in China with shares publicly quoted on the London Stock Exchange, as an alternative investment fund and an investment trust, there are several layers of risk of this nature.	⇔	The Board has ensured that there is a breadth and depth of expertise within the Board and the organisations to which the Company has delegated to manage legal and regulatory risks. There are also authorities whereby the Board or individual Directors can take further advice by employing experts should that ever be considered necessary.

Borrowings

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

On the 13 April 2022 the Company entered into an unsecured 2 year multicurrency revolving loan facility with Industrial and Commercial Bank of China Limited, London Branch ("ICBC"), under which loans with a maximum principal amount of £15 million may be drawn (with a £15 million accordion option). The revolving loan facility agreement with ICBC terminates on 12 April 2024. As at 31 October 2023, CNH 137m was drawn down (equivalent to £15.4m) (2022: £nil). Subsequent to the year end, the loan facility was repaid and cancelled on 15 January 2024 in anticipation of the Proposals.

The Directors monitor the Company's gearing on a regular basis in accordance with the Company's investment policy and under advice from the Investment Manager.

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

Ordinary Shares in Issue
As at 31 October 2023, the Company had 42,652,309 (2022: 45,283,575) Ordinary shares in issue (excluding shares held in treasury). The Company also held 19,520,638 Ordinary shares in treasury (2022: 16,889,372).

Purchase of Own Shares
The Company purchased 2,631,266 Ordinary shares during the Financial Year (2022: 1,341,251). The Company has not bought back any shares since the Financial Year End.

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

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

The Panel on Takeovers and Mergers (the "Panel") must be consulted in advance in any case where Rule 9 of the Takeover Code (the "Code") might be relevant. The Company has consulted with the Panel in relation to its buy-back authority. On the basis that City of London Investment Management Company Limited ("CoL") has not appointed a representative to the Board of the Company and that none of the directors of the Company are acting in concert with CoL, the Panel has confirmed on an ex parte basis to the Company that the increase in CoL's shareholding, as a result of the purchase by the Company of its own shares pursuant to the authority granted at the last AGM, will not trigger an obligation for CoL to make a mandatory offer for the Company under Rule 9 of the Code.

Significant Shareholders
As at 31 October 2023 and as at the date of this report, the Company had noted the following significant shareholdings of the issued Ordinary shares (excluding treasury shares):

	Number of Ordinary Shares	% held
City of London Investment Management	**12,804,675**	30.02
Lazard Asset Management	**9,274,384**	21.74
Allspring Global Investments	**9,149,451**	21.45
1607 Capital Partners	**2,576,195**	6.04
West Yorkshire Pension Fund	**1,522,656**	3.57

The Company has not been notified of any changes to these holdings as at the date of this Report.

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

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

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

Continuation Vote and Future Performance Linked Tender Offers
The Company does not have a fixed life but the Directors consider it desirable that shareholders have the opportunity to review the future of the Company at appropriate intervals.

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

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

However, as set out in the Proposals, the Company is expected to be placed into voluntary liquidation before any continuation vote.

Automatic Exchange of Information

Foreign Account Tax Compliance Act ("FATCA")

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

The Common Reporting Standard ("CRS")

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

Depositary and Custody Services

In April 2023, the depositary of the portfolio moved from Northern Trust (Guernsey) Limited to BNP Paribas S.A., Guernsey Branch. The custody services were also moved to BNP Paribas S.A from Northern Trust (Guernsey) at the same time.

Management

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

The Company's portfolio is managed by abrdn Hong Kong Limited ("aHKL") by way of a group delegation agreement in place between AFML and aHKL. Promotional activities have been delegated to abrdn Investments Limited ("AIL") (previously called Aberdeen Asset Managers Limited).

Further details of the key terms of the agreement and fees payable to the Manager can be found in note 4 to the financial statements.

Alternative Investment Fund Managers Directive ("AIFMD")

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

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

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

Company Secretary and Administrators

BNP Paribas S.A., Guernsey Branch was appointed as the Company's Administrator in April 2023, replacing Vistra Fund Services (Guernsey) Limited ("Vistra"), abrdn Holdings Limited was appointed as Company Secretary in April 2023, in place of Vistra..

Further details on the fees payable under these agreements can be found in note 5 to the financial statements.

Directors' Report

Continued

Payment of Suppliers

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

Settlement of Share Transactions

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

Donations

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

Going Concern

The Board has considered and sought advice on the appropriateness of continuing to prepare the Financial Statements on a going concern basis given the material uncertainty in relation to the announcement of the Proposals - which would involve a scheme of reconstruction resulting in the voluntary liquidation of the Company - the Board concluded that it remained appropriate to continue to prepare the Financial Statements on a going concern basis.

The Directors believe that, should the Proposals not proceed, the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows.

As at 31 October 2023, the Company held £8.7 million (2022: £8.5 million) in cash and £220.5 million in investments (2022: £224.1 million). It is estimated that approximately 99% (2022: 99%) of the investments held at the Financial Year end could be realised in one month. The total operating expenses for the Financial Year ended were £2.9 million (2022: £1.9 million), which on an annualised basis represented approximately 1.07% (2022: 0.60%) of average net assets during the Financial Year. At the date of approval of this report, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 14 February 2024 were £187.1 million.

The Company's assets consist of equity shares in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale. The Board has reviewed the results of stress testing prepared by the Manager in relation to the ability of the assets to be realised in the current market environment.

The Company does not have a fixed life. However, as required by the Company's Articles of Association, adopted on 26 October 2021, in normal circumstances, the Company would submit a continuation resolution to shareholders at the Annual General Meeting to be held in 2027.

At the year end, the Company had a £15 million revolving loan facility with Industrial and Commercial Bank of China limited, London Branch (`ICBC'), terminating in April 2024., As at 31 October 2023, CNH 137m was drawn down (equivalent to £15.4m) (2022: £nil). The liquidity of the Company's portfolio supports the Company's ability to repay its borrowings at short notice. However, subsequent to the year end, the loan facility was repaid and cancelled on 15 January 2024 in anticipation of the Proposals. The Board is confident that the Company could obtain a broadly similar loan facility if the Proposals do not proceed.

Taking the above factors into consideration, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence and discharge its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements, subject to approval of the Proposals. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Material Uncertainty

On 28 November 2023, the Board announced that heads of terms had been agreed in principle for a proposed combination of the Company with the assets of Fidelity China Special Situations PLC ("Fidelity China") ("the Proposals"). The Proposals, if approved by each company's shareholders, will be implemented through a Guernsey scheme of reconstruction under which the Company will be placed into voluntary liquidation and part of its cash, assets and undertaking will be transferred to Fidelity China in exchange for the issue of new ordinary shares in Fidelity China to Shareholders. More detail can be found in the Chairman's Statement on pages 4 and 5 and in the RNS announcement itself.

The Board believes that the Proposals are in the best interests of shareholders and recommends that shareholders vote in favour of the relevant resolutions. However, there can be no certainty of the outcome at the date of this Annual Report and, therefore, there remains material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Should the Proposals not receive the necessary shareholder approvals the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence and discharge its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Viability Statement

The Directors have assessed the prospects of the Company over the period from the date of this report up until 31 October 2026 (the "Period"). They have done this on the basis, which they consider highly unlikely as 73 per cent of the Company's share register has indicated support for the Proposals, that the Proposals are rejected by Shareholders at the General meeting in March 2024. The Directors believe that the Period, being approximately three years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy.

In their evaluation of the prospects of the Company, the Directors have carried out a robust assessment of the emerging and principal risks facing the Company in the event that the Proposals are rejected, including those that would threaten its business model, future performance, solvency or liquidity, as set out on pages 19 to 21 of this report. Developments in Chinese and other Asian markets and portfolio changes are discussed at quarterly Board meetings and the internal control framework of the Company is subject to formal review on at least an annual basis. Under normal market conditions, over 99% of the investments held by the Company could be sold within one month. However, there are circumstances which could lead to a reduction in market liquidity and, therefore, the ability of the Company to realise its investments.

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

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

Taking the above into account, the Directors have a reasonable expectation that, should the Proposals not proceed, the Company will be able to continue in operation and meet its liabilities as they fall due over the Period.

Auditor

KPMG Channel Islands Limited ("KPMG ") was re-appointed as auditor of the Company at the AGM held on 13 April 2023.

Annual General Meeting ("AGM")

Normally, the notice of the Company's AGM would accompany this Annual Report and the AGM would take place in mid-April. The deadline for the convening of an AGM in respect of the Financial Year is 30 April 2024. The Company has not scheduled the AGM for 2024 in light of the Proposals. If the Company is not placed into member's voluntary liquidation before then, the Company will issue an RNS announcement convening an AGM.

Corporate Governance

The Corporate Governance Statement on pages 26 to 33 forms part of this report.

Statement of Directors' Responsibilities

The Statement of Directors' Responsibilities on page 40 forms part of this report.

Helen Green
Chairman
16 February 2024

Corporate Governance Statement

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

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

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

The Guernsey Financial Services Commission revised its Code of Corporate Governance (the "Guernsey Code") in 2021.

Companies which report under the AIC Code are deemed to meet the requirements of the Guernsey Code.

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

The UK Corporate Governance Code includes provisions relating to:

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

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

The Board

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

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

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

Composition

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

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

Directors' and Officers' Liabilities Insurance

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

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Board Diversity

The Board recognises the importance of having a range of skilled and 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 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 its 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 take account of the targets set out in the FCA's Listing Rules, which are set out in the tables below.

The Board has resolved that the Company's year-end date is the most appropriate date for disclosure purposes. The following information has been provided by each Director through the completion of questionnaires. There have been no changes since the year end.

Board Gender as at 31 October 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (note 3)	Number in executive management	Percentage of executive management
Men	1	20%	1	n/a	n/a
Women	4	80% (note 1)	2		
Not specified/prefer not to say	-	-	-		

Board Ethnic Background as at 31 October 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (note 3)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	5 (note 2)	100%	3	n/a	n/a
Not specified/prefer not to say	-	-	-		

Notes:

1. Meets the target of at least 40% as set out in LR 9.8.6R (9)(a)(i).
2. Does not meet the target of at least one individual on the board of directors being from a minority ethnic background as set out in LR 9.8.6R (9)(a)(iii).
3. The Company considers that the role of Chairman, who is also the Chairman of the Management Engagement Committee, the role of the Senior Independent Director ("SID") who is also the Chairman of the Remuneration Committee and Nomination Committee, and the Chairman of the Audit Committee are senior positions.

Directors' Shareholdings

At 31 October 2023 and at the date of this report, the Directors had the following shareholdings in the Company.

	Ordinary shares at the date of this report	Ordinary shares At 31 October 2023	Ordinary shares At 31 October 2022
Helen Green	1,800	1,800	1,800
Mark Bridgeman (appointed on 1 August 2022)	–	–	–
Eleonore de Rochechouart	142	142	142
Anne Gilding	1,667	1,667	1,667
Sarah MacAulay	2,779	2,779	2,779

Board Meetings

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

	Board	Nomination Committee	Audit Committee	Management Engagement Committee	Remuneration Committee
Helen Green	4/4	1/1	2/2*	1/1	1/1
Mark Bridgeman	4/4	1/1	3/3	1/1	1/1
Eleonore de Rochechouart	4/4	1/1	3/3	1/1	1/1
Anne Gilding	4/4	1/1	3/3	1/1	1/1
Sarah MacAulay	4/4	1/1	3/3	1/1	1/1

* Helen Green stepped down as a Member of the Audit Committee when she was appointed as Chairman of the Board. Helen Green was re-appointed to the Audit Committee on 21 June 2023.

There were several ad hoc meetings of the Board and its Committee which dealt with the Proposals (further details of which are set out in the Chairman's Statement) and general administration matters. There were also two meetings held to authorise the publication of the respective interim and annual reports.

Board's Policy on Tenure

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

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

The Role of the Chairman and Senior Independent Director

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

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

Re-election of Directors

The services of each of the Directors are provided under the terms of letters of appointment between each of them and the Company. Each Director's appointment is for an initial three year period subject to renewal and termination upon three months' notice.

In line with corporate governance best practice, all of the Directors, apart from those stepping down, will normally retire and offer themselves for re-election at the Annual General Meeting of the Company. However, as set out in the Proposals, the Company is expected to be placed into voluntary liquidation prior to the next Annual General Meeting.

Conflicts of Interest

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

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

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

Corporate Governance Statement

Continued

Board Committees

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

Audit Committee

A report on pages 36 and 37 provides details of the role, composition and meetings of the Audit Committee together with a description of the work of the Committee in discharging its responsibilities.

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

Management Engagement Committee

The Company has established a Management Engagement Committee which at the Financial Year end comprised all members of the Board. The Committee meets on at least an annual basis to consider the appointment and remuneration of the Manager. The Committee also considers the appointment and remuneration of other suppliers of services to the Company.

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

During the year, the Management Engagement Committee supported the Board in its review of the Proposals and whether to retain AFML as the Manager of the Company.

Nomination Committee

The Company has established a Nomination Committee which at the Financial Year end comprised all members of the Board. Sarah MacAulay is Chairman of the Nomination Committee. The Committee has been established for the purpose of considering the composition of the Board as a whole and for identifying and putting forward candidates for the office of Director of the Company and meets on at least an annual basis. The Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job. When considering the appointment of new Directors, the Nomination Committee will engage the services of an external recruitment firm. The Nomination Committee appointed Fletcher Jones to assist in its latest search for a Director, which resulted in the appointment of Mark Bridgeman on 1 August 2022. The Company does not have any other connection with Fletcher Jones.

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

Remuneration Committee

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

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

Performance Evaluation

A formal annual performance appraisal process is performed to consider the performance of the Board, the committees, and the individual Directors. The appraisal was performed internally during the year led by the Chairman with support from the Company Secretary. The Board considers that an internal evaluation was appropriate given the nature and size of the Company.

A questionnaire consisting of open and closed end questions was completed by all Directors. The results were reviewed by the Chairman and were then discussed with the Board and an action list of suggestions for improvements compiled. A separate appraisal of the Chairman was carried out under the supervision of the Senior Independent Director and the results were reviewed and reported back to the Chairman. The results of the performance appraisal carried out in the Financial Year ended 31 October 2023 demonstrated that the structure of the Board and the diverse experience of the Directors are appropriate to meet the Company's requirements.

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

Internal Controls

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

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

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

Financial Aspects of Internal Control

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

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

The Statement of Directors' Responsibilities in respect of the financial statements is on page 40 and a statement of going concern is on page 24. The Independent Auditor's Report is on pages 42 to 46.

Other Aspects of Internal Control

The Board holds at least four regular meetings each year, plus ad hoc meetings and committee meetings as required.

Between these meetings there is regular contact with the Manager, the Administrator and the external Auditor.

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

Corporate Governance Statement

Continued

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

The contracts with the Manager, Administrator and the external Auditor enable the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved.

These matters are assessed on an ongoing basis through the year.

Despite the change in service providers, please see the Chairman's Statement on page 6, there are no significant findings to report from the review of internal controls during the Financial Year.

Principal Risks

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

Shareholder Relations

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

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

Exercise of Voting Powers

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

UK Stewardship Code and Proxy Voting as an Institutional Shareholder

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

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

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

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

The Investment Manager pursues a constructive approach to encourage improvements to the benefit of all shareholders.

To reinforce its messages, the team votes at all shareholder meetings.

Promoting the Success of the Company

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

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

The most significant consideration by the Board during the Financial Year was in relation to the Proposals, which are explained in more detail within the Chairman's Statement.

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

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

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

Promoting the Success of the Company

Continued

Shareholders	The Board's principal concern is the interests of the Company's shareholders and potential investors. As a public company listed on the London Stock Exchange, the Company is subject to the FCA's Listing Rules and Disclosure Guidance and Transparency Rules. The Listing Rules include a listing principle that a listed company must ensure that it treats all shareholders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. With the assistance of regular discussions with and the formal advice of the Company's legal counsel, secretary and corporate brokers; the Board abides by the Listing Rules at all times. The Company's investment objective is to produce long-term capital growth by investing predominantly in Chinese equities. The portfolio will normally consist principally of quoted equity securities and depositary receipts although unlisted companies, fixed interest holdings or other non-equity investments may be held. The portfolio is actively managed and may be invested in companies of any size and in any sector. The Investment Manager believes this is an attractive profile in the circumstances and one that should hold broad appeal. The Board maintains an open dialogue between shareholders, the Manager and other service providers. The Manager along with the Company's corporate brokers regularly meet with the Company's shareholders to provide Company updates and to foster dialogue. Feedback from meetings between the Manager and shareholders is communicated to the Board. The Chairman and other members of the Board are available to support these meetings and to address shareholder questions and consult major shareholders at least on an annual basis. These interactions with shareholders were instrumental during the Board's development of the Proposals (see the Chairman's Statement for more details on the Proposals). The Company's Annual and Half Yearly Reports are made available on the Company's website and also circulated to shareholders, providing an in-depth review of the Company's financial position and portfolio. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet and portfolio data, which are announced via a Regulatory Information Service and are also available on the Company's website. In addition, the Board oversees the maintenance and integrity of the corporate and financial information included on the Company's website. The Company has engaged abrdn Fund Managers Limited ("AFML") for the provision of promotional activities to ensure that information and news about the Company is regularly available for existing and potential shareholders. For more information on shareholder engagement please see the Corporate Governance section of this report which contains further information on shareholder engagement.
Manager / Investment Manager	The most significant service provider for the Company's long-term success is AFML, which has been appointed as the Company's AIFM in accordance with the Alternative Investment Fund Managers Directive (AIFMD), for the purpose of providing investment advisory services to the Company. The portfolio is managed by abrdn Hong Kong Limited which is responsible for the management of the Company's portfolio in accordance with the Company's investment policy and the terms of the Management Agreement. The Board monitors the Company's investment performance in relation to its objectives, investment policy and strategy. The Board regularly assesses the experience and resources of the investment management team and the commitment of the Manager; to promote the Company and foster shareholder relations and to ensure that the Company's objective is met. The Board receives and reviews regular reports and presentations from the Manager. An open and active relationship is maintained with the Investment Manager at Board meetings and additional meetings when needed.

Suppliers	As an externally managed investment company, the Company conducts all its business through its key service providers. On an annual basis, the Board reviews the continuing appointment of each service provider to ensure re-appointment is in the best interests of the Company's shareholders. Separately, the Auditor is invited to attend the Audit Committee meeting at least twice per year. The Audit Committee Chair maintains regular contact with the Audit partner to ensure the audit process is undertaken effectively. During the Financial Year under review, the Board appointed a new Company Secretary, Custodian, Administrator and Depositary. Please see the Chairman's Statement for more details on those changes..
Lenders	The Company may employ gearing and may in aggregate, borrow amounts equalling up to 20% of gross asset value, although the Board expects that borrowings will typically not exceed 15% of gross asset value at the time of drawdown.
Regulators	The Company and its appointed professional suppliers keep abreast of the rules, regulations and guidance affecting the listed investment company sector. The Board, Company Secretary and AIFM are responsible for ensuring that various regulatory and statutory obligations are met.
Wider community and the Environment	Under its investment objective, the Company seeks to have an ESG rating equal to, or better than, the MSCI China All Shares Index and have meaningfully lower carbon intensity than the Index. The Investment Manager places constructive engagement and ESG risk considerations at the heart of all investment research, ensuring that it is a responsible steward of its clients' assets. The Investment Manager believes this approach can mitigate risks and actively enhance returns for shareholders over the longer term.

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

For and on behalf of the Board

Helen Green
Director
16 February 2024

Report of the Audit Committee

Role, Composition and Meetings

The Board has established an Audit Committee, which at the Financial Year end comprised all members of the Board. Helen Green was re-appointed as a member of the Committee during the year. Although she is the Chairman of the Board, she continues to be considered independent. Mark Bridgeman, who has recent and relevant financial experience is Chairman of the Audit Committee.

As a minimum, the Audit Committee meets on a bi-annual basis and its main functions include, inter alia, reviewing and monitoring internal financial control systems and risk management systems on which the Company is reliant, considering annual and interim financial statements and reports from the auditor, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditor and monitoring and reviewing annually the auditor's independence, objectivity, effectiveness and qualifications and, where relevant, compliance with corporate governance changes.

The Committee is responsible for the development and implementation of a policy on the supply of any non-audit services provided by the auditor. The Board has also requested that the Audit Committee advise it on whether it believes that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

During the Financial Year ended 31 October 2023, there were three meetings of the Audit Committee. The Company's external auditor also attends the meetings at the Committee's request and reports on its work procedures and its findings in relation to the Company's statutory audit. The Company's external auditor attended all of the Audit Committee meetings during the Financial Year ended 31 October 2023.

Financial Statements and Significant Accounting Matters

The Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the Financial Year ended 31 October 2023.

Valuation of Investments

The Company, as an investment company, invests virtually all of its assets into Chinese equities. As at 31 October 2023, investments represented 103% of its net assets.

The valuation of investments is therefore the most significant factor in relation to the accuracy of the financial statements. The portfolio consists of investments in predominantly in quoted companies. The estimates, assumptions and judgements required to be made by management in determining the valuation of investments and method of accounting are described in more detail in notes 2(g) and 18 to the financial statements.

The Audit Committee reviewed the portfolio valuation as at 31 October 2023. The Audit Committee obtained confirmation from the Administrator and the Manager that the Company's accounting policies on valuation of investments had been followed. The Audit Committee made enquiries of the Administrator and the Manager with regards to the procedures that are in place to ensure that the portfolio is valued correctly.

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

Effectiveness of External Audit

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

Audit Tenure

KPMG Channel Islands Limited ("KPMG") has been the Company's external auditor since 2009 and the audit of the Company's accounts for the Financial Year ended 31 October 2023 will be the 14th year that KPMG has acted as auditor.

Following professional guidelines, the audit partner rotates after five years. The current audit partner is in his 3rd year of appointment. The Company is committed to the highest standards of corporate governance and, in accordance with best practice for premium-segment listed companies, in 2019 the Audit Committee decided to put the audit out to tender. The Audit Committee identified three suitably experienced audit firms, including KPMG. The three firms were asked to provide detailed written proposals to the Audit Committee and two of the firms were then interviewed by the Committee.

Following the interviews, and having given full consideration to the proposed fees, auditor independence and quality of the audit teams, the Audit Committee concluded that it would be in the best interests of the Company for KPMG to be re-appointed as auditor.

Should the Proposals not be successful, the Audit Committee has agreed that the re-appointment of KPMG as auditor would be recommended to the Board and put to shareholders for approval at the Company's next AGM.

Provision of Non-Audit Services

The Audit Committee has put a policy in place for the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent. During the Financial Year ended 31 October 2023 there were no non-audit services provided, other than interim review and reporting on the Company's half year financial statements. The fee payable to the Auditor for this additional service amounted to £21,528 (2022: £17,100).

Mark Bridgeman
Audit Committee Chairman
16 February 2024

Directors' Remuneration Report

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

1. a Remuneration Policy which the Board has decided will be subject to a binding shareholder vote every three years (or sooner if varied during this interval). At the AGM held on 13 April 2023, a resolution to approve the Directors' Remuneration Policy covering the three year period to 31 October 2025 was passed.
1. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
2. an Annual Statement.

A Remuneration Committee has been formed which comprises Helen Green, Mark Bridgeman, Eleonore de Rochechouart, Anne Gilding and Sarah MacAulay. The Directors' Remuneration Policy and level of Directors' Remuneration are determined by the Remuneration Committee.

Remuneration Policy

The Board's policy is that the remuneration of non-executive Directors should be fair and should reflect the experience, work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive Directors' fees are determined within the limits set out in the Company's Articles of Incorporation and Directors are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. In accordance with the Company's Articles, the maximum amount payable in aggregate to the Directors is £250,000 per annum.

No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the Financial Year ended 31 October 2023.

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

Directors' Service Contracts

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

There were no changes to the Directors' Remuneration Policy during the Financial Year nor are there any proposals for changes in the foreseeable future. The Remuneration Policy is reviewed by the Remuneration Committee on an annual basis and it is the Committee's intention that this Remuneration Policy will apply until the Company is entered into voluntary liquidation in accordance with the Proposals, or, if earlier, for the three year period ending 31 October 2025.

Implementation Report

Directors' Emoluments for the Financial Year

Fees payable with effect from 12 April 2022 have been at a rate of £45,000 per annum for the Chairman, £37,000 per annum for the Audit Committee Chairman and £32,000 per annum for the other Directors.

During the Financial Year ended 31 October 2023, there were no additional fees paid to the Directors. All fees are at a fixed rate and there is no variable remuneration.

The following emoluments in the form of fees were payable in the Financial Year ended 31 October 2023 to the Directors who served during the year:

	Fees 2023 £'000	Fees 2022 £'000
Helen Green (Chairman)	**45.0**	37.2
Mark Bridgeman (appointed on 1 August 2022)	**37.0**	9.3
William Collins (Retired on 12 April 2022)	**-**	12.5
Eleonore de Rochechouart	**32.0**	30.2
Anne Gilding (appointed on 9 November 2021)	**32.0**	29.6
Sarah MacAulay (appointed on 9 November 2021)	**32.0**	29.6
Mark Hadsley-Chaplin (Retired on 31 July 2022)	**-**	30.6
Total	**178.0**	179.0

Statement of Voting at the AGM

At the Company's last AGM, held on 13 April 2023, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 October 2022. 99.77% of proxy votes were in favour of the resolution and 0.23% of proxy votes were against.

At the Company's AGM held on 13 April 2023, shareholders approved the Directors' Remuneration Policy in respect of the three years ending 31 October 2025. 99.94% of proxy votes were in favour of the resolution and 0.06% of proxy votes were against.

Spend on Pay

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

Annual Statement

The Board confirms that the above Directors' Remuneration Report summarises, as applicable, for the Financial Year ended 31 October 2023:

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

Sarah MacAulay
Remuneration Committee Chairman
16 February 2024

Statement of Directors' Responsibilities

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

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

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

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

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

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

Disclosure of Information to the Auditor

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

Responsibility Statement of the Directors in Respect of the Annual Report

We confirm that to the best of our knowledge:

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

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

Helen Green
Chairman
16 February 2024

Depositary Report

BNP Paribas S.A., Guernsey Branch (the "Depositary") has been appointed to provide depositary services to abrdn China Investment Company Limited (the "Company") in accordance with the requirements of Article 36 and articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/ EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (the "AIFM Directive").

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of the Guernsey AIFMD Marketing Rules and Guidance 2021.

As Depositary, we have carried out reviews which we consider necessary in order to comply with our obligations and to ensure that, the Company has been managed in accordance with the limitations imposed on the investment and borrowing powers of the Company and its constitutional documents and the appropriate regulations.

We can confirm that we have no matters of concern to report.

For and on behalf of
BNP Paribas S.A., Guernsey
16 February 2024

Financial Statements – Independent Auditor's Report

Our opinion is unmodified

We have audited the financial statements of abrdn China Investment Company Limited (the "Company"), which comprise the statement of financial position as at 31 October 2023, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 October 2023, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008

Basis for opinion

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

Material uncertainty relating to going concern

	The risk	Our response
Going concern We draw attention to note 2 to the financial statements which indicates that on 28 November 2023, the Board announced that heads of terms had been agreed in principle for a proposed combination of the Company with the assets of Fidelity China Special Situations PLC ("Fidelity China") ("the Proposal"). The Proposal, if approved by each company's shareholders, will be implemented through a Guernsey scheme of reconstruction under which the Company will be placed into voluntary liquidation and part of its cash, assets and undertaking will be transferred to Fidelity China in exchange for the issue of new ordinary shares in Fidelity China to Shareholders. These events and conditions, along with the other matters explained in note 2, constitute that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter	*Disclosure Quality:* The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company. That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk for our audit is whether or not those risks are such that they amounted to a material uncertainty that may cast significant doubt about the ability to continue as a going concern. If so, that fact is required to be disclosed (as has been done) and, along with a description of the circumstances, is a key financial statement disclosure.	*Our audit procedures included:* **Funding assessment:** • We obtained the subsequent cancellation correspondence in relation to the loan that was paid post year end **Key dependency assessment:** • Reviewed post-year end minutes summarising discussions with the majority shareholders in negotiating the combination deal; • Reviewed post-year end termination contracts. **Assessing transparency:** • Considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies. **Our results:** We found the going concern disclosure in note 2 with a material uncertainty to be acceptable.

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

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

	The risk	Our response
Valuation of Investments (Investments at fair value through profit or loss) £220,482,000; (2022: £224,064,000) Refer to notes 2(a), 2(g) accounting policies and notes 17 and 18 disclosures	***Basis:*** As at 31 October 2023 the Company had invested in quoted equities and an unlisted fund (together, the "Investments") which represented a significant amount of net assets. The Company's equities, which represents 103% of net assets, are valued based on prices obtained from third party pricing sources. The Company's holdings in unquoted equities, which represents 0.4% of net assets are valued at the net asset values provided by the underlying funds' administrators. ***Risk:*** The valuation of the Company's Investments, given that it represents a significant amount of the Company's net assets, is a significant area of our audit, with those which are unlisted being subject to estimation risk.	***Our audit procedures included:*** **Internal Controls:** Assessing the design and implementation of the control over the valuation of Investments. **Challenging managements' assumptions and inputs including use of KPMG Specialists:** Our valuation specialist independently priced Investments with a value of £219,573,000 to a third party pricing source. For holdings in an unlisted fund with a value of £909,000, we: · considered the valuation technique applied for appropriateness · confirmed the net asset value directly with the underlying fund's administrators or investment managers · obtained the latest audited financial statements of the underlying fund in order to consider: the nature of the Investments held by the underlying fund; the financial reporting standards applied in the preparation of the underlying fund's financial statements; any modifications to the audit report; and any other disclosures that may be relevant to their valuation **Assessing disclosures:** We also considered the Company's disclosures (see note 2(a)) in relation to the use of estimates and judgments regarding the valuation of Investments and the Company's investment valuation policies adopted in note 2(g) and fair value disclosures in note 18 in compliance with IFRS.

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

Materiality for the financial statements as a whole was set at £4,490,000 (2022: £4,636,000), determined with reference to a benchmark of net assets of £224,650,000) (2022: £231,843,175), of which it represents approximately 2.0% (2022: 2.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £3,360,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £224,500 (2022: £231,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

Going concern

The Board concluded that it remained appropriate to continue to prepare the financial statements on a going concern basis despite the material uncertainty in relation to the announcement of the Proposal – which would involve a scheme of reconstruction resulting in the voluntary liquidation of the Company at a future date.

As stated in section Material uncertainty relating to going concern of our report, they have also concluded that there is a material uncertainty related to going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have nothing material to add or draw attention to in relation to the directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Company's ability to continue to use that basis for the going concern period.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

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

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

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

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

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

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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

Other information

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

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

Disclosures of emerging and principal risks and longer term viability

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

- the directors' confirmation within the Viability Statement (page 25) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the Viability Statement (page 25) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 25 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Corporate governance disclosures

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

Independent Auditor's Report

Continued

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

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

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

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

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

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

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 40, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Andrew J. Salisbury
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Guernsey

16 February 2024

Statement of Comprehensive Income

		Year ended 31 October 2023			Year ended 31 October 2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments at fair value through profit or loss	10	**–**	**(4,273)**	**(4,273)**	–	(143,283)	(143,283)
Transaction costs		**–**	**–**	**–**	–	832	832
Gains/(losses) on currency movements		**–**	**500**	**500**	–	(354)	(354)
Net investment losses		**–**	**(3,773)**	**(3,773)**	–	(142,805)	(142,805)
Investment income	3	**3,997**	**–**	**3,997**	4,108	–	4,108
Investment management fees	4	**(1,700)**	**–**	**(1,700)**	(1,020)	–	(1,020)
Other administrative expenses	5	**(1,067)**	**–**	**(1,067)**	(913)	–	(913)
Net return before finance costs and taxation		**1,230**	**(3,773)**	**(2,543)**	2,175	(142,805)	(140,630)
Finance costs	6	**(562)**	**–**	**(562)**	(109)	–	(109)
Operating profit/(loss) before taxation		**668**	**(3,773)**	**(3,105)**	2,066	(142,805)	(140,739)
Taxation	7	**(254)**	**(31)**	**(285)**	(215)	–	(215)
Total profit/(loss) and comprehensive income for the year		**414**	**(3,804)**	**(3,390)**	1,851	(142,805)	(140,954)
Basic earnings and diluted earnings per Ordinary share (pence)	9	**0.95**	**(8.73)**	**(7.78)**	4.00	(308.70)	(304.70)

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

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

The notes on pages 51 to 71form part of these financial statements.

Statement of Financial Position

	Notes	As at 31 October 2023 £'000	As at 31 October 2022 £'000
Non-current assets			
Investments at fair value through profit or loss	10	**220,482**	224,064
Current assets			
Cash at bank		**8,748**	8,534
Other receivables	11	**111**	56
		8,859	8,590
Total assets		**229,341**	232,654
Current liabilities			
Bank loans	12	**(15,359)**	–
Other payables	12	**(735)**	(811)
		(16,094)	(811)
Net assets		**213,247**	231,843
Equity shareholders' funds			
Share capital	13	**133,945**	147,744
Capital reserve	14	**82,528**	87,739
Revenue reserve		**(3,226)**	(3,640)
Equity shareholders' funds		**213,247**	231,843
Net asset value per Ordinary share (pence)	15	**499.97**	511.98

Approved by the Board of Directors and authorised for issue on 16 February 2024 and signed on its behalf by:

Helen Green
Director

Mark Bridgeman
Director

The notes on pages 51 to 71 form part of these financial statements.

Incorporated in Guernsey: Company registration number 50900

Statement of Changes in Equity

For the year ended 31 October 2023

	Notes	Share capital £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2022		147,744	87,739	(3,640)	231,843
Buyback of shares	13	(13,799)	–	–	(13,799)
(Loss)/profit for year		–	(3,804)	414	(3,390)
Dividends paid	8	–	(1,407)	–	(1,407)
Balance at 31 October 2023		133,945	82,528	(3,226)	213,247

For the year ended 31 October 2022

		Share capital £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2021		148,735	230,544	(5,491)	373,788
Buyback of shares	13	(7,560)	–	–	(7,560)
Profit/(loss) for year		–	(142,805)	1,851	(140,954)
Scheme of reconstruction:	13				
Ordinary shares issued		62,037	–	–	62,037
Ordinary shares repurchased		(55,291)	–	–	(55,291)
Tender offer and share issue costs		(177)	–	–	(177)
Balance at 31 October 2022		147,744	87,739	(3,640)	231,843

The capital reserve at 31 October 2023 is split between realised gains of £178,862,000 (2022 – £207,445,000) and unrealised losses of £96,334,000 (2022 – £119,706,000).

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

The notes on pages 51 to 71form part of these financial statements.

Statement of Cash Flows

	Notes	Year ended 31 October 2023 £'000	Year ended 31 October 2022 £'000
Operating activities			
Dividend income received		**3,892**	4,144
Interest income received		**102**	43
Foreign exchange losses on loans		**(724)**	–
Management expenses paid		**(2,085)**	(2,009)
Overseas withholding tax paid		**(286)**	(215)
Net cash from operating activities		**899**	1,963
Investing activities			
Purchases of investments		**(80,168)**	(446,496)
Sales of investments	10	**79,255**	311,504
Net cash from investing activities		**(913)**	(134,992)
Financing activities			
Equity dividends paid	8	**(1,407)**	–
Borrowing commitment fee and interest paid		**(425)**	(118)
Drawdown of loan		**16,083**	–
Scheme of reconstruction[A]			
Ordinary shares issued		**–**	3,257
Ordinary shares repurchased		**–**	(55,291)
Tender offer and share issue costs paid		**–**	(388)
Buy back of Ordinary shares for treasury	13	**(13,799)**	(7,338)
Net cash from/(used in) financing activities		**452**	(59,878)
Increase/(decrease) in cash		**438**	(192,907)
Analysis of changes in cash during the year			
Opening balance		**8,534**	201,795
Effect of exchange rate fluctuations on cash held		**(224)**	(354)
Increase/(decrease) in cash as above		**438**	(192,907)
Closing balances		**8,748**	8,534

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

The notes on pages 51 to 71form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 October 2023

1. Principal activity

The Company is a closed-ended investment company, registered in Guernsey on 16 September 2009, number 50900. The Company's registered office is 11 New Street, St Peter Port, Guernsey, GY1 2PF. The Company's Ordinary shares have a premium listing on the London Stock Exchange and commenced trading on 10 November 2009.

2. Accounting policies

(a) **Basis of preparation**. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and are in compliance with the Companies (Guernsey) Law, 2008. There have been no significant changes in the accounting policies of the Company in the year to 31 October 2023. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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

All values are rounded to the nearest thousand pounds (£'000) except where indicated otherwise.

Going concern with Material Uncertainty. The Board has considered and sought advice on the appropriateness of continuing to prepare the Financial Statements on a going concern basis given the material uncertainty in relation to the announcement of the Proposals – which would involve a scheme of reconstruction resulting in the voluntary liquidation of the Company – the Board concluded that it remained appropriate to continue to prepare the Financial Statements on a going concern basis.

The Directors believe that, should the Proposals not proceed, the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows.

As at 31 October 2023, the Company held £8,748,000 (2022: £8,534,000) in cash and £220,482,000 in investments (2022: £224,064,000). It is estimated that approximately 99% (2022: 99%) of the investments held at the financial year end could be realised in one month. The total operating expenses for the financial year ended were £2,767,000 (2022: £1,933,000), which on an annualised basis represented approximately 1.07% (2022: 0.60%) of average net assets during the financial year. At the date of approval of this report, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 14 February 2024 were £187.1 million.

The Company's assets consist of equity shares in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale. The Board has reviewed the results of stress testing prepared by the Manager in relation to the ability of the assets to be realised in the current market environment.

The Company does not have a fixed life. However, as required by the Company's Articles of Association, adopted on 26 October 2021, in normal circumstances, the Company would submit a continuation resolution to shareholders at the Annual General Meeting to be held in 2027.

At the year end, the Company had a £15 million revolving loan facility with Industrial and Commercial Bank of China limited, London Branch ("ICBC"), terminating in April 2024., As at 31 October 2023, CNH 136,833,000 (equivalent to £15,359,000) was drawn down (2022: £nil). The liquidity of the Company's portfolio supports the Company's ability to repay its borrowings at short notice. However, subsequent to the year end, the loan facility was repaid and cancelled on 15 January 2024 in anticipation of the Proposals. The Board is confident that the Company could obtain a broadly similar loan facility if the Proposals do not proceed.

Taking the above factors into consideration, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence and discharge its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements, subject to approval of the Proposals. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

On 28 November 2023, the Board announced that heads of terms had been agreed in principle for a proposed combination of the Company with the assets of Fidelity China Special Situations PLC ("Fidelity China") ("the Proposals"). The Proposals, if approved by each company's shareholders, will be implemented through a Guernsey scheme of reconstruction under which the Company will be placed into voluntary liquidation and part of its cash, assets and undertaking will be transferred to Fidelity China in exchange for the issue of new ordinary shares in Fidelity China to Shareholders. More detail can be found in the Chairman's Statement on pages 4 and 5 and in the RNS announcement itself.

The Board believes that the Proposals are in the best interests of shareholders and recommends that shareholders vote in favour of the relevant resolutions. However, there can be no certainty of the outcome at the date of this Annual Report and, therefore, there remains material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Should the Proposals not receive the necessary shareholder approvals the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence and discharge its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Significant estimates and judgements. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates which requires management to exercise its judgement in the process of applying the accounting policies. The Directors do not believe that any accounting judgements or estimates have been applied to these financial statements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

Functional currency. The Company's investments are made in China Yuan Renminbi 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 and also pays expenses in Sterling, as it would dividends, where declared by the Company.

New and amended accounting standards and interpretations. The Company applied certain Standards and Amendments, which are effective for annual periods beginning on or after 1 January 2023. The adoption of these Standards and Amendments did not have a material impact on the financial results of the Company.:

Classification of Liabilities as Current or non-current and non-current liabilities with covenants (Amendments to IAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

As disclosed in note 12, the Company has an unsecured multicurrency revolving loan facility with Industrial and Commercial Bank of China that is subject to the covenants disclosed in same note. The loan was repaid after year end and thus was classified as current.

At the date of authorisation of these financial statements, the following amendments to Standards and Interpretations were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2024 and thereafter;

– IAS 1 Amendments (Classification of Liabilities as Current or Non-Current)

– IAS 1 Amendments (Disclosure of Accounting Policies and IFRS Practice Statement 2)

– IAS 1 Amendments (Non-current Liabilities with Covenants)

– IAS 8 Amendments (Definition of Accounting Estimates)

– IAS 12 Amendments (Deferred Tax and OECD Pillar 2 Taxes)

– IAS 12 Amendments (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

The Company intends to adopt the Standards and Interpretations in the reporting period when they become effective and the Board does not anticipate that the adoption of these Standards and Interpretations in future periods will materially impact the Company's financial results in the period of initial application although there may be revised presentations to the Financial Statements and additional disclosures.

(b) **Presentation of Statement of Comprehensive Income**. In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented in the Statement of Comprehensive Income.

(c) **Segmental reporting**. The Board has considered the requirements of IFRS 8 'Operating Segments' and is of the view that the Company is engaged in a single segment business, which is one of investing in Chinese quoted equities and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

(d) **Income**. Dividends receivable on equity shares are recognised in the Statement of Comprehensive Income on the ex-dividend date, and gross of any applicable withholding tax. 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. Special dividends are credited to capital or revenue, according to their circumstances. Where a company has elected to receive dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the Statement of Comprehensive Income. Provision is made for any dividends not expected to be received. Interest receivable from cash and short-term deposits is accrued to the end of the financial year.

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

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

– expenses are charged to the capital column of the Statement of Comprehensive Income where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

(f) **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. 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.

(g) **Investments**. Investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are recognised at fair value through profit or loss.

The Company classifies its investments based on their contractual cash flow characteristics and the Company's business model for managing the assets. The business model, which is the determining feature, is such that the portfolio of investments is managed, and performance and risk is evaluated, on a fair value basis. The Manager is also compensated based on the fair value of the Company's assets. Consequently, all investments are measured at fair value through profit or loss.

Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured at fair value. For listed investments, this is deemed to be bid market prices or closing prices (when bid market prices are unavailable) on a recognised stock exchange.

Gains and losses arising from the changes in fair value are included in net profit or loss for the period as a capital item. Transaction costs are treated as a capital cost and recognised within losses on investments at fair value through profit or loss in the Statement of Comprehensive Income..

(h) **Cash and cash equivalents.** Cash comprises cash in hand and at banks and short-term deposits. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash, and that are subject to an insignificant risk of changes in value.

(i) **Other receivables.** The Company has adopted the classification and measurement provisions of IFRS 9 'Financial Instruments' as other receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. As such they are measured at amortised cost. Other receivables held by the Company do not carry any interest, they have been assessed as not having any expected credit losses over their lifetime due to their short-term nature and low credit risk.

(j) **Other payables.** The Company has adopted the classification and measurement provisions of IFRS 9 'Financial Instruments'. Other payables are non-interest bearing and are stated at amortised cost.

(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 100% to revenue.

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

Share capital. Share capital represents the 1p nominal value of the issued share capital plus any share premium arising from the net proceeds of issuing shares less the aggregate cost of shares repurchased (to be held in treasury or for cancellation).

Capital reserve. This reserve reflects any gains or losses on investments realised in the period on a weighted average cost basis along with any increases and decreases in the fair value of investments held that have been recognised in the Statement of Comprehensive Income. The part of this reserve represented by realised capital gains is available for distribution by way of dividend. The capital reserve is used to fund share buy-backs by the Company.

Revenue reserve. This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve is distributable by way of dividend.

(m) **Foreign currency**. Overseas monetary assets and liabilities are converted into Sterling at the rate of exchange ruling at the Statement of Financial Position date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss and recognised in the Statement of Comprehensive Income.

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

(o) **Dividends payable.** Interim dividend are recognised when the entity has an obligation to make a payment and the amount to be paid can be determined

3. Investment income

	2023 £'000	2022 £'000
Income from investments		
Overseas dividends	**3,882**	4,065
Interest income	**–**	39
	3,882	4,104
Other income		
Deposit interest	**115**	4
Total income	**3,997**	4,108

4. Management fee

	2023			2022		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Management fee	**1,700**	**–**	**1,700**	1,020	–	1,020

Management fee (up to 9 November 2021)

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

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

Following completion of the Scheme, the Company entered into a new management agreement (the "Management Agreement") with abrdn Fund Managers Limited ("aFML"), pursuant to which the management fee payable by the Company to aFML is calculated by reference to the market capitalisation of the Company, rather than its net assets (as was the case). The new management fee is structured on a tiered basis, with the first £150 million of market capitalisation being charged at 0.80%, the next £150 million being charged at 0.75%, and amounts thereafter being charged at 0.65%. aFML has agreed to make a contribution to the costs of implementing the Scheme by means of a waiver of the management fee for the first six months following the completion of the Scheme. The Management Agreement is terminable by either party on not less than six months' written notice at any time.

The balance due to aFML at the year at the year end was £234,000 (2022 – £291,000)

5. Administrative expenses

	2023 £'000	2022 £'000
Administration fees	**105**	203
Promotional activities	**156**	–
Directors' fees	**178**	179
Safe custody fees	**111**	211
Depositary fees	**11**	–
Auditor's remuneration:		
– fees payable for the audit of the Company's annual financial statements	**57**	51
– non-audit services	**22**	17
Registrar's fees	**33**	31
Broker fees	**70**	76
Other expenses	**324**	145
	1,067	913

Directors' fees. The Director's fees payable for the year were £178,000 (2022 – £179,000). There were no other emoluments paid to the Directors.

Promotional fee. During the year £156,000 (2022 – £nil) was payable to aFML for the provision of promotional activities. There was £156,000 (2022 – £nil) due to aFML in respect of these promotional activities at the year end.

Company Secretary and Administrator fees. In April 2023, abrdn replaced Vistra Fund Services (Guernsey) Limited ("Vistra") as Administrator and Secretary to the Company. During the year to October 2023 the fee payable to abrdn was £68,000. The balance due at the year end was £68,000. The fee payable to Vistra was £19,000 (2022: £48,000).

UK Administration agent fees. In April 2023, BNP Paribas replaced Sanne Fund Services (UK) Limited (formerly PraxisIFM Fund Services (UK) Limited) as administration agent in the United Kingdom. During the year to October 2023 the fee payable to Sanne was £86,000 (2022: £163,000).

Depositary and custody services and fees. In April 2023, BNP Paribas replaced Northern Trust (Guernsey) Limited, as depositary in the United Kingdom. During the year to October 2023 the fee payable to BNP Paribas was £39,000. The fee payable to Sanne was £84,000 (2022: £211,000).

6. Finance costs

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable	**531**	**-**	**531**	70	–	70
Facility arrangement fees and other charges	**31**	**-**	**31**	39	–	39
	562	**-**	**562**	109	–	109

7. Taxation

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of charge for the year						
Overseas withholding tax	**285**	**–**	**285**	215	–	215
Tax relief to capital	**(31)**	**31**	**–**	–	–	–
Total tax charge for the year	**254**	**31**	**285**	215	–	215

(b) **Factors affecting the tax charge for the year.** The UK corporation tax rate is 22.50% (2022 – 19%).The tax assessed for the year is higher (2022 – higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	**668**	**(3,773)**	**(3,105)**	2,066	(142,805)	(140,739)
Corporation tax at effective rate of 22.5% (2022 – standard rate of 19%)	**150**	**(849)**	**(699)**	393	(27,133)	(26,740)
Effects of:						–
Non-taxable overseas dividend income	**(873)**	**–**	**(873)**	(769)	–	(769)
Overseas tax suffered	**285**	**–**	**285**	215	–	215
Tax effect of unrealised gains on non reporting offshore holdings	**(31)**	**31**	**–**		–	–
Overseas dividends not taxable	**–**	**–**	**–**	(3)	–	(3)
Capital losses not subject to tax	**–**	**823**	**823**	–	27,133	27,133
Expenses not deductible for tax purposes	**3**	**26**	**29**	–	–	–
Other income not taxable	**–**	**–**	**–**	(8)	–	(8)
Finance costs not taxable	**–**	**–**	**–**	21	–	21
Movement in unutilised management expenses	**720**	**–**	**720**	366	–	366
Total tax charge	**254**	**31**	**285**	215	–	215

(c) **Provision for deferred taxation**. No provision for deferred taxation has been made in the current year or in the prior year. At 31 October 2023 the Company had surplus management expenses and loan relationship debits with a tax value of £1,000,000 (2022 – £234,000) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

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

8. Dividends

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for 2022 – 3.20p (2021 – nil)	**1,407**	–

The table below sets out the proposed Interim dividend in respect of the financial year, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £414,000 (2022 – £1,851,000).

	2023 £'000	2022 £'000
Interim dividend for 2023 – nil (2022 – 3.20p)	**–**	1,407

9. Return per Ordinary share

	2023		2022	
	£'000	p	£'000	p
Revenue return	**414**	**0.95**	1,851	4.00
Capital return	**(3,804)**	**(8.73)**	(142,805)	(308.70)
Total return	**(3,390)**	**(7.78)**	(140,954)	(304.70)

	2023	2022
Weighted average number of Ordinary shares in issue[A]	**43,585,131**	46,260,167

[A] Calculated excluding shares held in treasury.

10. Investments at fair value through profit or loss

	2023 £'000	2022 £'000
Opening book cost	**343,770**	65,600
Opening investment holding (loss)/gains	**(119,706)**	47,305
Opening fair value	**224,064**	112,905
Analysis of transactions made during the year		
Purchases at cost	**79,946**	446,496
Sales proceeds received	**(79,255)**	(193,446)
(Losses)/gains on investments	**(27,645)**	25,119
Investment holding gains/(losses)	**23,372**	(167,010)
Closing fair value	**220,482**	224,064
Closing book cost	**316,816**	343,770
Closing investment losses	**(96,334)**	(119,706)
Closing fair value	**220,482**	224,064

The Company received £79,225,000 (2022 – £193,446,000) from investments sold in the period. The book cost of these investments when they were purchased was £106,900,000 (2022 – £168,888,000). These investments have been revalued over time and until they were sold any unrealised gains/(losses) were included in the fair value of the investments.

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

	2023 £'000	2022 £'000
Purchases	**96**	620
Sales	**132**	212
	228	832

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. Other receivables

	2023 £'000	2022 £'000
Prepayments and accrued income	**111**	56
	111	56

12. Current liabilities

Amounts falling due within one year a) Bank loans	2023 £'000	2022 £'000
Foreign currency loan	**15,359**	–

In April 2022, the Company entered into a £15 million unsecured multicurrency revolving loan facility with Industrial and Commercial Bank of China, London Branch ("the Lender") for a two year period. The facility will be utilised for general working capital purposes and for the acquisition of investments in accordance with the Company's investment policy. Under the terms of the facility, the Company also has the option to increase the level of the commitment from £15 million to £30 million at any time, subject to the Lender's credit approval.

At 31 October 2023, CNH 136,833,000 (equivalent to £15,359,000) was drawn down from the facility at an applicable interest rate of 5.30758% until 14 December 2023. Net gearing at the year end was 3.1%.

Subsequent to the year end, CNH 135,325,500 was drawn down until 15 January 2024 and this amount was repaid on that date.

Restrictions imposed by the Lender in connection with the credit facility include the following financial covenants:

– Total borrowings do not exceed 20% of the total assets at any time:

– Its net asset value shall at all times be a minimum of £200 million; and

– The aggregate value of the unlisted investments does not exceed 10% of the aggregate value of the investments at any time.

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

b) Other payables	2023 £'000	2022 £'000
Amounts due to brokers	**–**	222
Finance costs payable	**107**	25
Other creditors	**628**	564
	735	811

Notes to the Financial Statements

Continued

13. Share capital

Year ended 31 October 2023

	Authorised	Ordinary shares of 1p nominal value £'000	Allotted, issued and fully paid	Ordinary shares with voting rights[A]	Treasury shares
Opening number of shares	**Unlimited**	**622**	**62,172,947**	**45,283,575**	**16,889,372**
Purchase of own shares	**–**			**(2,631,266)**	**2,631,266**
Closing number of shares	**Unlimited**	**622**	**62,172,947**	**42,652,309**	**19,520,638**

Year ended 31 October 2022

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

[A] Excluding treasury shares.

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

Share issue. The Company acquired approximately £62 million of net assets from Aberdeen New Thai Investment Trust PLC in consideration for the issue of 7,554,440 new Ordinary shares in the Company.

Tender Offer. A total of 6,894,773 Ordinary shares were repurchased by the Company on 10 November 2021 under the Tender Offer and held in treasury at an aggregate cost to the Company of £55 million.

The costs incurred in implementing the Scheme amounted to £1,058,000.

Share capital account. The aggregate balance (including share premium) standing to the credit of the share capital account at the year end was £133,945,000 (2022 – £147,744,000).

Purchase of own shares. There were 2,631,266 Ordinary shares purchased during the year (2022 – 1,341,251) at an aggregate cost to the Company of £13,799,000 (2022 – £7,560,000).

Ordinary shares

Voting rights (as at 31 October 2023). Holders of Ordinary shares are entitled to attend, speak and vote at general meetings of the Company. Each Ordinary share (excluding shares in treasury) carries one vote. Treasury shares do not carry voting rights.

At its financial year end, the Company had 365 registered shareholders. At 31 October 2023, the Company was notified of 3 shareholders who each held more than 10% of the issued share capital and their holdings were 30.0% (2022: 27.8%), 21.7% (2022: 23.5%) and 21.5% (2022: 19.5%) respectively.

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

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

14. Capital reserve

	2023 £'000	2022 £'000
Opening balance	**87,739**	230,544
Movement in fair value gains	**(4,273)**	(142,451)
Foreign exchange movement	**500**	(354)
Taxation	**(31)**	–
Dividend	**(1,407)**	–
Balance at 31 October	**82,528**	87,739

The capital reserve includes investment holding losses amounting to £96,334,000 (2022 – losses of £119,706,000), as disclosed in note 10.

15. Net asset value per share

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

	Net asset value per share 2023 p	Net asset values attributable 2023 £'000	Net asset value per share 2022 p	Net asset values attributable 2022 £'000
Ordinary shares	**499.97**	**213,247**	511.98	231,843

The net asset per Ordinary share is calculated based on 42,652,309 (2022 – 45,283,575) Ordinary shares, being the number of Ordinary shares in issue at the year end excluding Ordinary shares held in treasury.

16. Analysis of changes in net debt

	At 31 October 2022 £'000	Currency differences £'000	Cash flows £'000	At 31 October 2023 £'000
Cash and short term deposits	**8,534**	**(224)**	438	8,748
Debt due within one year	**-**	**724**	(16,083)	(15,359)
	8,534	**500**	(15,645)	(6,611)

	At 31 October 2021 £'000	Currency differences £'000	Cash flows £'000	At 31 October 2022 £'000
Cash and short term deposits	**201,795**	**(354)**	(192,907)	8,534
	201,795	**(354)**	(192,907)	8,534

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.

17. 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, 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 abrdn Fund Managers Limited ("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.

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 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 and Risk Management. The team is headed up by the Group's Chief Risk Officer, who reports to the Group CEO. 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 CEO and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Group's corporate governance structure is supported by several committees to assist the board of directors, 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.

(i) 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, foreign currency risk and other price risk.

Interest rate risk. Interest rate movements may affect:

- the level of income receivable on cash deposits; and,
- interest payable on the Company's variable rate borrowings.

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.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving, and uncommitted facilities. The fixed rate facilities are used to finance opportunities at low rates and, the revolving and uncommitted facilities to provide flexibility in the short-term. Current bank covenant guidelines state that the total borrowings will not exceed 20% of the adjusted net assets of the Company as defined in note 12.

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 Statement of Financial Position date was as follows:

At 31 October 2023	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets:				
China Yuan Renminbi	-	-	-	2,797
China Yuan Renminbi (Offshore)	-	-	-	1,984
Hong Kong Dollar	-	-	-	4
Sterling	-	3.69	-	3,912
US Dollar	-	-	-	51
			-	8,748

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Liabilities:				
Bank loan - CNY 136,833,000	0.12	5.31	(15,359)	-
			(15,359)	-

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans. The maturity date of the Company's loans are shown in note 12.

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

The Company's equity portfolio and short-term debtors and creditors (excluding bank loans) have been excluded from the above tables.

Interest rate sensitivity. Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total profit.

Foreign currency risk. The Company's investment portfolio is primarily invested in overseas securities and the Statement of Financial Position, therefore, can be significantly affected by movements in foreign exchange rates.

Management of the risk. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings. The Company's borrowings, as detailed in note 12, are predominantly in sterling.

The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign currency exposure by currency of denomination:

	31 October 2023			31 October 2022		
	Investments £'000	Net monetary assets £'000	Total currency exposure £'000	Investments £'000	Net monetary assets £'000	Total currency exposure £'000
China Yuan Renminbi	**4,009**	**2,797**	**6,806**	131,456	6	131,462
China Yuan Renminbi (Offshore)	**112,137**	**1,984**	**114,121**	–	–	–
Hong Kong Dollar	**93,479**	**4**	**93,483**	91,289	28	91,317
Taiwan Dollar	**2,177**	**-**	**2,177**	–	–	–
US Dollar	**8,680**	**51**	**8,731**	1,319	4	1,323
	220,482	**4,836**	**225,318**	224,064	38	224,102

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. The sensitivity analysis includes foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	2023 £'000	2022 £'000
China Yuan Renminbi	**681**	13,146
China Yuan Renminbi (Offshore)	**11,412**	–
Hong Kong Dollar	**9,348**	9,132
Taiwan Dollar	**218**	–
US Dollar	**873**	132
	22,532	22,410

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

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 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.

Price risk sensitivity. If market prices at the Statement of Financial Position date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 October 2023 would have increased/(decreased) by £22,048,000 (2022 – increased/(decreased) by £22,406,000) and equity reserves would have increased/(decreased) by the same amount.

(ii) Liquidity risk. This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due in line with the maturity profile analysed below.

At 31 October 2023	Within 1 year £'000	Total £'000
Bank loans	15,359	15,359
Interest cash flows on bank loans	107	107
Cash flows on other creditors	628	628
	16,094	16,094

At 31 October 2022	Within 1 year £'000	Total £'000
Bank loans	–	–
Interest cash flows on bank loans	–	–
Cash flows on other creditors	811	811
	811	811

Management of the risk. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise a £15,000,000 unsecured multicurrency revolving loan facility with a £15,000,000 accordion option, which expires in April 2024. The Board has imposed a maximum gearing level, equalling up to 20% of gross asset value. Details of borrowings at 31 October 2023 are shown in note 12.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of the loan facility, details of which can be found in note 12. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis. Details of the Board's policy on gearing are shown in the interest rate risk section of this note.

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

Management of the risk. Investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker. Cash is held only with reputable banks with high quality external credit enhancements. It is the Manager's policy to trade only with A- and above (Long-term rated) and A-1/P-1 (Short-term rated) counterparties.

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

	2023 Statement of Financial Position £'000	Maximum exposure £'000	2022 Statement of Financial Position £'000	Maximum exposure £'000
Current assets				
Loans and receivables	**111**	**111**	56	56
Cash at bank and in hand	**8,748**	**8,748**	8,534	8,534
	8,859	**8,859**	8,590	8,590

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

Fair values of financial assets and financial liabilities. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity. Bank loans are valued at amortised cost in accordance with the Company's stated accounting policy.

18. Fair value hierarchy

IFRS 13 'Fair value measurement' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has 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: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

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

Notes to the Financial Statements

Continued

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

As at 31 October 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss				
Quoted equities	219,573	–	–	219,573
Unquoted equities	–	–	909	909
Total fair value	219,573	–	909	220,482

As at 31 October 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss				
Quoted equities	222,745	–	–	222,745
Unquoted equities	–	–	1,319	1,319
Total fair value	222,745	–	1,319	224,064

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

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

The Company recognises transfers between levels of fair value hierarchy at the date the change occurred. There were no investments transferred between levels during the year (2022 – no transfers).

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

	2023	2022
Opening balance	1,319	1,358
Additions during the year	–	–
Disposals during the year	–	–
Profit or loss on disposals during the year	–	–
Valuation adjustments[A]	(410)	(39)
	909	1,319

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

19. Related party transactions and transactions with the Manager

Fees payable during the period to the Directors are disclosed in note 5 on page 56 and within the Directors' Remuneration Report on page 37, along with their interests in shares of the Company.

Transactions with the Manager. The company has an agreement with the Manager for the provision of investment management, secretarial, accounting and administration and promotional activity services.

Details of transactions during the year and balance outstanding at the year end are disclosed in notes 4 and 5.

20. Capital management policies and procedures

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

No single investment accounted for more than 9.1% (2022 – 7.0%) of the Company's net assets at the Company's year end. The Investment Manager aims to identify funds which it considers are likely to deliver consistent capital growth over the longer term.

21. Subsequent events

On 28 November 2023, the Board announced that heads of terms had been agreed in principle for a proposed combination of the assets of the Company with the assets of Fidelity China Special Situations PLC ("Fidelity China") (the "Proposals"). The Proposals, if approved by each company's shareholders, will be implemented through a Guernsey scheme of reconstruction under which the Company will be placed into voluntary liquidation and part of its cash, assets and undertaking will be transferred to Fidelity China in exchange for the issue of new ordinary shares in Fidelity China to Shareholders.

On 15 January 2024, the Company repaid the amount previously drawn down under its bank loan facility with Industrial and Commercial Bank of China, London Branch.

Corporate Information – Alternative Performance Measures ("APMs") (unaudited)

Alternative performance measures 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 International Financial Reporting Standards and the Statement of Recommended Practice issued by Association of Investment Companies. 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 discount is the amount by which the share price is lower than the net asset value per share with debt at fair value, expressed as a percentage of the net asset value.

		2023	2022
NAV per Ordinary share	a	**499.97p**	511.98p
Share price	b	**392.00p**	448.00p
Discount	(a-b)/a	**21.6%**	12.5%

Net gearing/(cash)

Net gearing/(cash) 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 amounts due to and from brokers at the year end.

		2023	2022
Borrowings (£'000)	a	**15,359**	–
Cash (£'000)		**8,748**	8,534
Amounts due to brokers (£'000)		**–**	(222)
Amounts due from brokers (£'000)		**–**	–
Cash and cash equivalents	b	**8,748**	8,312
Shareholders' funds (£'000)	c	**213,247**	231,843
Net gearing/(cash)	(a-b)/c	**3.1%**	(3.6%)

Ongoing charges

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

	2023	2022
Investment management fees[A] (£'000)	**1,700**	1,020
Administrative expenses (£'000)	**1,067**	913
Less: non-recurring charges[B] (£'000)	**(28)**	–
Ongoing charges (£'000)	**2,739**	1,933
Average net assets (£'000)	**256,223**	319,519
Ongoing charges ratio	**1.07%**	0.60%

[A] 2022 includes the effect of the management fee waiver arrangement following the combination with Aberdeen New Thai Investment Trust in November 2021.
[B] Professional services considered unlikely to recur.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which amongst 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, respectively.

Year ended 31 October 2023		**NAV**	**Share price**
Opening at 1 November 2022	a	**511.98p**	**448.00p**
Closing at 31 October 2023	b	**499.97p**	**392.00p**
Price movements	c=(b/a)-1	**-2.3%**	**-12.5%**
Dividend reinvestment[A]	d	**0.4%**	**0.5%**
Total return	c+d	**-1.9%**	**-12.0%**

Year ended 31 October 2022		**NAV**	**Share price**
Opening at 1 November 2021	a	813.20p	695.00p
Closing at 31 October 2022	b	511.98p	448.00p
Price movements	c=(b/a)-1	-37.0%	-35.5%
Dividend reinvestment[A]	d	N/A	N/A
Total return	c+d	-37.0%	-35.5%

[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.

Investor Information

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

The Company has appointed abrdn Fund Managers Limited as its alternative investment fund manager and BNP Paribas Trust Corporation UK Limited as its Depositary under the AIFMD.

The AIFMD requires abrdn Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: **abrdnequityincome.com**. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 76.

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

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

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

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

Shareholder Enquiries

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

Any general queries, comments or complaints, including for the specific attention of the Chair or Senior Independent Director, should be directed to the Company Secretary in writing (see Contact Addresses) or by email to: **CEF.CoSec@abrdn.com.**

Closure of the abrdn Investment Trust Savings Plans (the "Plans")

In June 2023, abrdn notified existing investors in the abrdn Investment Trust ISA, Share Plan and Investment Plan for Children that these plans will be closing in December 2023.

The Plans closed on 8 December 2023. All Investors with a holding or cash balance at that time were transferred to interactive investor ("ii"). ii communicated with Investors in late November to set up account security to ensure that investors can access holdings via ii as the Plans close.

Please contact Interactive Investor for any ongoing support with your account on 0345 646 1366, or +44 113 346 2309 if you are calling from outside the UK. Lines are open 8.00am to 5.00pm Monday to Friday. Alternatively you can access the ii Website at **ii.co.uk/abrdn-welcome**.

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser.

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

Discretionary Private Client Stockbrokers

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

Financial Advisers
To find an adviser who recommends on investment trusts visit: **unbiased.co.uk.**

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

How to Attend and Vote at Company Meetings
Investors who hold their shares through a platform or share plan provider (for example Hargreaves Lansdown, Interactive Investor or AJ Bell) and would like to attend and vote at Company meetings (including General Meetings and AGMs) should contact their platform or share plan provider directly to make arrangements.

Investors who hold their shares through platforms and have their shares held through platform nominees, may not necessarily receive notification of general meetings and are advised to keep themselves informed of Company business by referring to the Company's website. Where voting is required, and the Board encourages shareholders to vote at all general meetings of the Company, shareholders with their holdings in nominees, need to instruct the nominee to vote on their behalf and should do so in good time before the meetings.

Keeping You Informed
Further information about the Company may be found on its dedicated website: **abrdnequityincome.com**.

This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

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

Twitter:

@abrdnTrusts

LinkedIn:

abrdn Investment Trusts

Key Information Document ("KID")
The KID relating to the Company and published by the Manager can be found on the Company's website.

Suitable for Retail/NMPI Status
The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors. 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 the securities issued by the Company can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs") and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

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 74 and 75 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.

AIFMD Disclosures (unaudited)

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

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

- information on the investment strategy, geographical and sector investment focus and principal stock exposures is included in the Investment Managers Report on pages 7 to 9;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Investment Managers Report on pages 7 to 9, note 17 to the financial statements and the PIDD, together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML;
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company's Manager, abrdn Fund Managers Limited, on request and the remuneration disclosures in respect of the AIFM's relevant reporting period for the year ended 31 December 2023 is available on the Company's website.

Leverage

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

	2023		2022	
	Gross Method	**Commitment Method**	**Gross Method**	**Commitment Method**
Maximum level of leverage	2.00:1	2.00:1	2.00:1	2.00:1
Actual level at 31 October 2023	**1.13:1**	**1.15:1**	**1.00:1**	**1.00:1**

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

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

Glossary of Terms

abrdn
abrdn is the brand of abrdn plc.

abrdn Group
The abrdn plc group of companies

AIC
The Association of Investment Companies

Alternative Investment Fund or "AIF"
An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.

Alternative Investment Fund Managers Directive or "AIFMD"
The Alternative Investment Fund Managers Directive. The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/ or marketed in the EU. The Company has been designated as an AIF.

Annual General Meeting or "AGM"
A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.

Benchmark Index
A basket of stocks which is considered to replicate a particular stock market or sector.

Compound Annual Growth Rate ("CAGR")
The mean annual growth rate of an investment over a specified period of time longer than one year.

Discount
The amount, expressed as a percentage, by which the share price is less than the net asset value per share.

Depositary
Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the Depositary is appointed under a strict liability regime. BNP Paribas S.A, Guernsey Branch has been appointed to provide depository services to the Company.

Dividend
Income receivable from an investment in shares.

Ex-dividend date
The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.

Financial Conduct Authority or "FCA"
The independent body that regulates the financial services industry in the UK.

Gearing
A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

Investment Company
A company formed to invest in a diversified portfolio of assets.

Investment Manager
abrdn Hong Kong Limited is a wholly owned subsidiary of abrdn plc and acts as the Company's investment manager.

Key Information Document or "KID"
The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Glossary of Terms

Ongoing charges

Leverage
An alternative word for "Gearing".

Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.

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

Liquidity
The extent to which investments can be sold at short notice.

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

MSCI ESG Rating
A measure performed by MSCI with an aim to access a company's management of financially relevant ESG risks and opportunities. ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).

Net assets
An investment company's assets less its liabilities.

Net asset value ("NAV") per Ordinary share
Net assets divided by the number of Ordinary shares in issue (excluding any shares held in treasury).

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

Ordinary shares
The Company's ordinary shares in issue.

Portfolio
A collection of different investments held in order to deliver returns to shareholders and to spread risk.

Premium
The amount, expressed as a percentage, by which the share price is more than the net asset value per share.

Proposals
The proposed combination of the Company's assets with the assets of Fidelity China Special Situations PLC and subsequent voluntary liquidation of the Company.

Qualified Foreign Investor ("QF")
QFIs are individuals, groups or associations, who reside outside China and are permitted to invest in China's mainland markets.

Shanghai Stock Exchange STAR Market ("STAR")
A Chinese science, technology and innovation focused equities market.

Share buyback
A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.

Share price
The price of a share as determined by a relevant stock market.

The Taskforce on Climate-related Financial Disclosures (TCFD)
An international body formed with a mission to strengthen financial systems and increase the stability of international financial markets by coordinating national monetary authorities and international standard-setting bodies.

Total return
A measure of performance that takes into account both income and capital returns.

Tracking error
A measure, expressed as a percentage, of how closely a portfolio follows an index over a period of time.

Treasury shares
A company's own shares which are available to be sold by it to raise funds.

Value at risk
A statistical technique used to measure and quantify the level of financial risk within a portfolio over a specific time frame.

Volatility
A measure of how much a share moves up and down in price over a period of time.

Contact Addresses

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Company Registration Number
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