



# **abrdn Asia Focus plc**

Half Yearly Report 31 January 2023

A fundamental, high conviction portfolio of well-researched Asian small caps

**[asia-focus.co.uk](https://asia-focus.co.uk)**

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"The Ordinary dividend has been maintained or raised every year since 1998, and your Board is firmly committed to the new enhanced and progressive dividend policy approved by shareholders in 2022"

**Krishna Shanmuganathan, Chairman**

# Performance Highlights

## Net asset value total return (diluted)<sup>AB</sup>

Six months ended 31 January 2023

**+3.0%**

Year ended 31 July 2022

-0.02

## Net Asset Value per share (diluted)

As at 31 January 2023

**299.2p**

As at 31 July 2022

295.3p

## Share price total return<sup>A</sup>

Six months ended 31 January 2023

**+5.5%**

Year ended 31 July 2022

-1.7%

## Share price

As at 31 January 2023

**263.0p**

As at 31 July 2022

254.0p

## MSCI AC Asia ex Japan Small Cap Index total return<sup>C</sup>

Six months ended 31 January 2023

**+3.8%**

Year ended 31 July 2022

-5.1%

## Total assets

As at 31 January 2023

**£540.1m**

As at 31 July 2022

£532.9m

## Net asset value total return since inception (diluted)<sup>ABD</sup>

To 31 January 2023

**+2195.7%**

To 31 July 2022

+2115.6%

## Discount to net asset value<sup>AB</sup>

As at 31 January 2023

**12.1%**

As at 31 July 2022

14.0%

<sup>A</sup> Considered to be an Alternative Performance Measure (see pages 28 to 30).

<sup>B</sup> Presented on a diluted basis as the Convertible Unsecured Loan Stock (CULS) is "in the money".

<sup>C</sup> Currency adjusted, capital gains basis.

<sup>D</sup> Inception being 19 October 1995.

## Financial Highlights

Capital values	31 January 2023	31 July 2022	% change
Total assets less current liabilities <sup>A</sup>	£540,052,000	£532,912,000	+1.3
Net asset value per share (basic)	300.00p	295.88p	+1.4
Net asset value per share (diluted)	299.15p	295.25p	+1.3
Share price (mid market)	263.00p	254.00p	+3.5
Discount to net asset value (basic) <sup>B</sup>	12.3%	14.2%	
Discount to net asset value (diluted) <sup>B</sup>	12.1%	14.0%	
Net gearing <sup>B</sup>	13.7%	12.1%	
Ongoing charges ratio <sup>B</sup>	0.90%	0.88%	

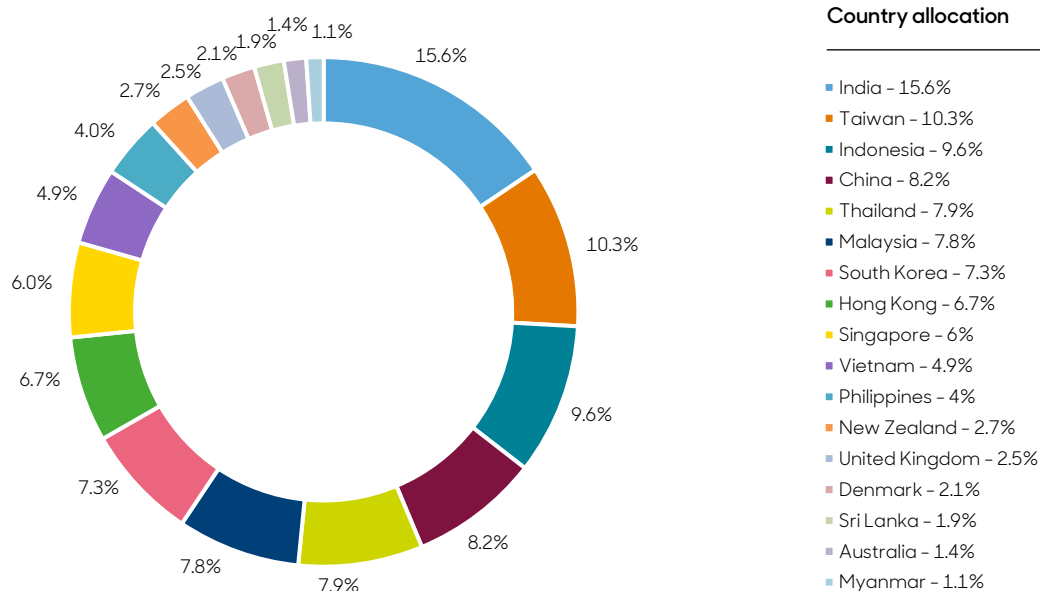
<sup>A</sup> Total assets less current liabilities (excluding prior charges such as bank loans) as per the Statement of Financial Position.

<sup>B</sup> Considered to be an Alternative Performance Measure (see pages 28 and 29).

# Financial Calendar & Geographical Breakdown

CULS Conversion Date	31 May 2023
Financial year end	31 July 2023
Announcement of unaudited half yearly results for the six months ended 31 January 2023	30 March 2023
CULS Conversion Date	30 November 2023
Annual General Meeting (London)	December 2023
Payment of interim dividends	<b>1<sup>st</sup> Interim 20 December 2022</b> <b>2<sup>nd</sup> Interim 21 March 2023</b> <b>3<sup>rd</sup> Interim 23 June 2023</b> <b>4<sup>th</sup> Interim 20 September 2023</b>

## Geographical Breakdown of Portfolio



"Against a volatile market background,  
your Company's share price gained 5.5%  
on a total return basis with the discount  
to the net asset value ("NAV")  
narrowing to 12.1%"

# Chairman's Statement

I am pleased to present the half yearly results following my appointment as Chairman at the conclusion of the Annual General Meeting on 30 November 2022 (the "AGM") and I would like to take this opportunity to reiterate, on behalf of the Board and shareholders alike, all our thanks to Nigel Cayzer following his years of service as Chairman.

As part of the Board's succession plan, Mr Randal McDonnell, the Earl of Antrim, will be stepping down at this year's AGM having completed his nine years of service and we will be recruiting a new non-executive Director to replace him. Your Board is cognisant of the FCA's diversity and inclusion Policy Statement PS22/3 and remains committed to corporate governance best practice and working towards implementing the recommendations in the Hampton-Alexander and Davies reviews.

## Background

Global markets remained volatile over the review period, with sentiment influenced by a sharp rise in interest rates from the US Federal Reserve (Fed) and fears that this could lead to a global recession. Towards the end of the period, China's decision to ease Covid-19 restrictions led to expectations that the country's re-opening would boost consumer demand and help export-oriented markets such as Taiwan and South Korea. Likewise, the diversification of supply chains has seen net benefits to Vietnam, India and Indonesia, amongst others in South East Asia.

Against this volatile market background, your Company's share price gained 5.5% on a total return basis with the discount to the net asset value ("NAV") narrowing to 12.1%. The NAV total return was 3.0% although that came in slightly lower than the benchmark MSCI AC Asia Pacific ex-Japan Small Cap Index's 3.8% increase.

Despite continued short-term market volatility, the Board is as confident as ever in the potential for Asia and its smaller companies over the long-term. It is worth noting that £1,000 invested in your Company at inception is now worth over £22,950 on a NAV basis with dividends reinvested, a return of over 2195%. Indeed, according to a recent press release from the Association of Investment Companies (AIC) we are one of the top five companies that would have made investors £1,000,000 if they had invested their full ISA allowance from 1999 to 2023.

This is the world's fastest-growing region, underpinned by powerful structural trends such as increasing affluence, rising urbanisation, and growing technology adoption. Exciting opportunities continue to abound in its small and mid-cap investment universe, where companies tend to be domestically oriented and low research coverage leaves considerable scope for active managers to take advantage of market mispricing.

## Dividend

The Board recognises the importance of your Company's dividend income for many shareholders. The Ordinary dividend has been maintained or raised every year since 1998, and your Board is firmly committed to the new enhanced and progressive dividend policy approved by shareholders in 2022.

Two interim dividends have been paid in the first six months of the year. The first interim dividend of 1.6p per Ordinary share was paid on 20 December 2022 to Ordinary shareholders on the register on 25 November 2022 and the second interim dividend was paid on 21 March 2023 to Ordinary shareholders on the register on 24 February 2023. The Board has set a target dividend of at least 6.4p per Ordinary Share for the financial year ending 31 July 2023. The Board plans to maintain the progressive policy of the last 27 years in order to provide shareholders with a regular level of income alongside capital growth prospects.

## Share Capital Management and Gearing

During the period the Ordinary shares have traded at an average discount of 11.9% and we did not buy back any Ordinary shares in the market. However, subsequent to the period 120,000 Ordinary shares have been acquired for treasury at a discount to the prevailing NAV per share. The Board will continue to consider the use of share buybacks to both reduce the volatility of any discount and to modestly enhance the NAV per share for shareholders.

The Company's net gearing at 31 January 2023 was 13.7% with the debt provided by the £30 million unsecured Loan Notes 2035 and the £36.6m Convertible Unsecured Loan Stock redeemable in 2025. As at 30 March 2023, the latest practicable date, the net gearing stood at 12.9%.



## ESG

In my first report to Shareholders, I wanted to draw out the importance that your Board and Manager place upon Environmental, Social and Governance ("ESG") matters. While ESG concerns do not form a specific part of the Company's investment objective, and the investment process does not exclude exposure to certain industries, the Investment Manager has long believed that a holistic assessment of business risks and active engagement, with the goal of improving the performance of the Company's portfolio, is vital before, during and after an investment is made. That includes a detailed understanding of the environmental, social and governance risks and opportunities associated with each holding. It is, therefore, very much embedded in the Investment Manager's approach to managing the Company and we will provide more detail on these important matters in your Company's Annual Report.

## Outlook

The purpose of the Company remains the same as ever, to give investors access to Asia's exciting growth prospects via a concentrated portfolio of high-quality smaller companies. Your Company continues to benefit from a highly experienced management team, with excellent on-the-ground access to companies, business leaders and policymakers. They continue to uncover under-researched quality companies in what is a large and varied universe of Asian small caps.

Considering the current fragile state of the global economy, our view is that Asia is in a better position than many Western economies. For the most part, government finances and corporate balance sheets in the region are in good health. The wider macroeconomic risks (whether inflation or geopolitics related) persist, but one of the benefits of this Trust's small-cap emphasis is that it allows for a portfolio that is more geared to Asia's domestic growth story – indeed, at the end of the reporting period, over 80% of the underlying revenues of the companies in the portfolio came from within Asia itself.

In this regard, the Board is pleased to note there are positive signs for structural growth right across the region. China's re-opening should lead to a recovery in both domestic consumption and industry production. In turn, this could be a spur for Asia-wide exports, services, trade, and tourism.

Valuations are attractive and your Manager has positioned the portfolio to weather near-term risks – the majority of the companies in the portfolio hold net cash on their balance sheet – while keeping in mind the long-term secular trends across Asia: rising local demand, a move to a lower-carbon future and the growth of Asia's technology and supply chains. Accordingly, your Company's core investment strategy remains judicious – quality companies at a reasonable price with strong balance sheets and demonstrating sustainable earnings, delivering outperformance over the long-term.



**Krishna Shanmuganathan**

Chairman  
30 March 2023

# Investment Manager's Review

## Overview

The six months to the end of January 2023 can be split into three distinct periods. The first, in August and September, was noteworthy for the level of concern among investors about the pace of interest rate increases in the US, reflected in a global sell-off across a number of markets. The strength of the US dollar also contributed to market volatility.

In October, the focus shifted to the Communist Party Congress in Beijing and President Xi Jinping's consolidation of power. After securing an unprecedented third term in office President Xi filled the country's leadership team with close allies. Investors reacted nervously and the markets in mainland China and Hong Kong were among the weakest during this month. The volatility spread to wider Asian markets, and, notably, to Asian smaller companies, which underperformed both the wider region and those in developed markets.

November and December, however, saw a marked change in sentiment. China announced a sharp U-turn in policy with the removal of Covid-19 restrictions, driving a strong rally across many Asian markets particularly those more closely linked to the mainland.

## Portfolio Review

The information technology sector made the most positive contribution to performance where your Manager targets high-quality companies which offer growth but are also profitable, have strong cash flows, robust balance sheets, and trade at reasonable valuations.

Prominent among them was Korea's **Park Systems** which is an exciting prospect thanks to its innovative products and dominant position in atomic force microscopy – an emerging imaging field – which has a number of growing applications within advanced science and technology labs.

In the same sector, the portfolio saw good contributions from **Leeno Industrial**, **Koh Young Technology** and Taiwan's **Andes Technology**. However, not every holding in the sector made gains. Some in the technology supply chain, such as **Nanofilm**, were affected by concerns about a drop in demand for Apple products. **AEM Holdings**, which produces tests for semiconductors, was also weak due to fears of a cyclical downturn in the sector.

Our Indian holdings also boosted your Company's returns thanks to good stock selection. **Aegis Logistics**, which is primarily focused on operating port terminals, was a strong performer, as was **Vijaya Diagnostic Centre**, which owns a network of diagnostics clinics in Southern India. Elsewhere, positive contributions came from Indonesia and Thailand with **Bank OCBC NISP** benefiting from the broader economic recovery in Indonesia, clearly reflected in a 60% rise in the bank's net profits in the third quarter.

The Vietnamese government's attempt to address corruption and speculative activity in the property market impacted our holding in property developer **Nam Long** due to the resultant delays in land purchases and project launches. Your Manager however remains confident in the reputation of the company and believes it should benefit from the government's intervention over the long-term. Also in Vietnam, information technology group **FPT Corp** was another detractor from performance, but we were reassured to see it publish strong annual results with revenues and earnings both beating expectations.

Stock selection in China and Hong Kong was also a source of weakness. Among the main detractors were **Joynn Laboratories**, **Sinoma Science & Technology** and Pacific Basin Shipping. The last of these suffered from forecasts of lower global growth and a decline in freight rates, but your Manager continues to see value in the stock, given expectations of strong free cash flow generation and therefore healthy dividend payouts.

**ChaCha Food**, which was added to the portfolio during the period, was another detractor but your Manager saw the ongoing weakness in the Chinese equity market as an opportunity to add to the position. It is among China's leading nuts producers with well established brands, including the largest roasted seeds brand locally which generates healthy cash flow. It has high growth potential as the highly fragmented snacks industry presents a consolidation opportunity for a focused, vertically integrated company with strong brands. You can read more about your Manager's rationale behind holding this stock on page 14.



Turning to portfolio activity, your Manager continued to maintain discipline in the portfolio's quality focus, especially given the challenging backdrop. Alongside the investment in **ChaCha Food**, a new position was also initiated in **Kerry Logistics Network**, one of the largest integrated logistics providers in Asia with a diversified customer base. Your Manager believes the company is well placed to benefit from supply-chain relocation, e-commerce growth and intra-regional trade in Asia. The position in **Douzone Bizon** was sold due to concerns over execution and an uncertain growth outlook. The holding in **eCloudvalley** was also divested, owing to poor disclosure and a slowdown in growth.



**Gabriel Sacks, Flavia Cheong,  
Xin Yao Ng & Hugh Young**

abrdn Asia Limited  
30 March 2023

# Disclosures

## Investment Objective and Policy

### Investment Objective

The Company aims to maximise total return to shareholders over the long term from a portfolio made up predominantly of quoted smaller companies in the economies of Asia excluding Japan.

### Investment Policy

The Company may invest in a diversified portfolio of securities (including equity shares, preference shares, convertible securities, warrants and other equity-related securities) predominantly issued by quoted smaller companies spread across a range of industries and economies in the Investment Region. The Investment Region includes Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Korea, Laos, Malaysia, Myanmar, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam, together with such other economies in Asia as approved by the Board.

The Company may invest up to 10% of its net assets in collective investment schemes, and up to 10% of its net assets in unquoted companies, calculated at the time of investment.

The Company may also invest in companies traded on stock markets outside the Investment Region provided over 75% of each company's consolidated revenue, operating income or pre-tax profit is earned from trading in the Investment Region or the company holds more than 75% of their consolidated net assets in the Investment Region.

When the Board considers it in shareholders' interests, the Company reserves the right to participate in rights issues by an investee company.

### Risk Diversification

The Company will invest no more than 15% of its gross assets in any single holding including listed investment companies at the time of investment.

### Gearing

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

## Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Company are set out in detail on pages 16 to 19 of the Annual Report and Financial Statements for the year ended 31 July 2022 and these have not changed.

They can be summarised under the following headings:

- Investment Strategy and Objectives;
- Investment Portfolio and Investment Management Risks;
- Financial Obligations (Gearing);
- Financial and Regulatory;
- Operational;
- Investment in Unlisted Securities;
- Market and F/X Risks; and
- Major Market Geo Political Event.

The Board is monitoring the current geo-political risks, market volatility and uncertainty associated with Russia's invasion of Ukraine, which are continuing to evolve. The Board continues to monitor the remaining impacts of the Covid-19 pandemic in Asia and any associated risks for world markets. The Board is also very conscious of the risks emanating from increased environmental, social and governance challenges and mounting climate change pressure. The Board continues to monitor, through its Manager, the potential risk that investee companies may fail to keep pace with the rates of ESG and Climate Change adaptation required. In all other respects, the Company's principal risks and uncertainties have not changed materially since the date of the 2022 Annual Report.

## Going Concern

The Directors have conducted a thorough review of the Company's ability to continue as a going concern with particular focus on the impact of world events as well as the continuing effects of the Covid-19 pandemic in Asia.

The Board monitors the Company's covenant compliance and gearing levels regularly and is satisfied that there is sufficient headroom in place and flexibility if required.

The Company's assets consist of a diverse portfolio of listed equities which in most circumstances are realisable within a short timescale. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

## Directors' Responsibility Statement

The Directors are responsible for preparing this half-yearly financial report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the half-yearly financial report has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting);
- the Interim Board Report (constituting the interim management report) includes a fair review of the information required by rule 4.2.7R of the UK Listing Authority Disclosure Guidance and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year) and 4.2.8R (being related-party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could so do).

## Krishna Shanmuganathan

Chairman

30 March 2023

# Ten Largest Investments

As at 31 January 2023

4.1%

Total assets

## Park Systems Corporation

The Korean company is the leading developer of atomic force microscopes, a nascent technology that could have broad industrial application in sectors such as chip-making and biotechnology. The company's financials are sound, despite significant upfront sales and distribution costs.

3.6%

Total assets

## Aegis Logistics

A strong and conservative player in India's gas and liquids logistics sector, with a first mover advantage in key ports and a fair amount of capacity expansion to come. The government's push for the adoption of cleaner energy is also boosting its liquefied natural gas business.

3.1%

Total assets

## Sinoma Science & Technology - A

One of the largest wind turbine blade producers in China and the third largest battery separator maker, which is backed by strong R&D capability and support from its parent group. We view the stock as a proxy for growth of wind energy.

2.9%

Total assets

## Bank OCBC NISP

An Indonesian listed banking and financial services company, which is a steady consistent performer backed by healthy asset quality.

2.9%

Total assets

## Mega Lifesciences (Foreign)

The Thai group produces, sells and distributes health supplements and pharmaceutical products, mostly in the under-penetrated but fast-growing frontier and emerging markets.

2.9%

Total assets

## AKR Corporindo

AKR is one of the main players in industrial fuel in Indonesia, which has a high entry barrier. Its key strength is its extensive infrastructure and logistic facilities throughout the country.

2.8%

Total assets

## FPT Corporation

FPT is a diversified technology group with a fast-growing software outsourcing business. It also owns a telecoms unit, an electronics retailing company, and has interests in other sectors, such as education.

2.7%

Total assets

## Affle India

A consumer technology business operating a data platform that helps direct digital advertising. It is dominant in India where digitalisation has reached an inflection point.

2.7%

Total assets

## AEM Holdings

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

2.7%

Total assets

## MOMO.com

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

# Investment Portfolio

As at 31 January 2023

Company	Industry	Country	Valuation £'000	Total assets %
Park Systems Corporation	Electronic Equipment, Instruments & Components	South Korea	21,972	4.1
Aegis Logistics	Oil, Gas & Consumable Fuels	India	19,339	3.6
Sinoma Science & Technology – A	Chemicals	China	16,510	3.1
Bank OCBC NISP	Banks	Indonesia	15,943	2.9
Mega Lifesciences (Foreign)	Pharmaceuticals	Thailand	15,901	2.9
AKR Corporindo	Oil, Gas & Consumable Fuels	Indonesia	15,709	2.9
FPT Corporation	IT Services	Vietnam	15,160	2.8
Affle India	Media	India	14,654	2.7
AEM Holdings	Semiconductors & Semiconductor Equipment	Singapore	14,641	2.7
MOMO.com	Internet & Direct Marketing Retail	Taiwan	14,435	2.7
<b>Top ten investments</b>			<b>164,264</b>	<b>30.4</b>
Cyient	Software	India	14,347	2.7
Dah Sing Financial Holdings	Banks	Hong Kong	13,709	2.5
M.P. Evans Group	Food Products	United Kingdom	13,688	2.5
Oriental Holdings	Automobiles	Malaysia	13,342	2.5
Hana Microelectronics (Foreign)	Electronic Equipment, Instruments & Components	Thailand	12,751	2.4
Joinn Laboratories China	Life Sciences Tools & Services	China	12,563	2.3
UIE	Food Products	Denmark	11,342	2.1
Medikaloka Hermina	Health Care Providers & Services	Indonesia	11,235	2.1
Cebu Holdings	Real Estate Management & Development	Philippines	11,186	2.1
Nam Long Invest Corporation	Real Estate Management & Development	Vietnam	11,026	2.0
<b>Top twenty investments</b>			<b>289,453</b>	<b>53.6</b>

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# Investment Portfolio

Continued

As at 31 January 2023

Company	Industry	Country	Valuation £'000	Total assets %
Pacific Basin Shipping	Marine	Hong Kong	10,825	2.0
LEENO Industrial	Semiconductors & Semiconductor Equipment	South Korea	10,544	1.9
John Keells Holdings	Industrial Conglomerates	Sri Lanka	10,322	1.9
Precision Tsugami China Corporation	Machinery	China	10,211	1.9
Asian Terminals	Transportation Infrastructure	Philippines	10,181	1.9
Millennium & Copthorne Hotels New Zealand <sup>A</sup>	Hotels, Restaurants & Leisure	New Zealand	9,992	1.9
Sunonwealth Electric Machinery Industry	Machinery	Taiwan	9,913	1.8
Sporton International	Professional Services	Taiwan	9,632	1.8
Ultrajaya Milk Industry & Trading	Food Products	Indonesia	8,954	1.7
Bukit Sembawang Estates	Real Estate Management & Development	Singapore	8,897	1.6
<b>Top thirty investments</b>			<b>388,924</b>	<b>72.0</b>
AEON Credit Service (M)	Consumer Finance	Malaysia	8,890	1.6
IPH	Professional Services	Australia	7,741	1.4
Kerry Logistics	Air Freight & Logistics	Hong Kong	7,492	1.4
Prestige Estates Projects	Real Estate Management & Development	India	6,967	1.3
Koh Young Technology	Semiconductors & Semiconductor Equipment	South Korea	6,902	1.3
Vijaya Diagnostic Centre	Health Care Providers & Services	India	6,770	1.3
Taiwan Union	Electronic Equipment, Instruments & Components	Taiwan	6,732	1.2
United Plantations	Food Products	Malaysia	6,509	1.2
Syngene International	Life Sciences Tools & Services	India	6,225	1.2
Tisco Financial Group (Foreign)	Banks	Thailand	6,132	1.1
<b>Top forty investments</b>			<b>459,284</b>	<b>85.0</b>



## As at 31 January 2023

Company	Industry	Country	Valuation £'000	Total assets %
Shangri-La Hotels Malaysia	Hotels, Restaurants & Leisure	Malaysia	5,924	1.1
Pentamaster International	Semiconductors & Semiconductor Equipment	Malaysia	5,816	1.1
Yoma Strategic Holdings	Real Estate Management & Development	Myanmar	5,674	1.1
Andes Technology	Semiconductors & Semiconductor Equipment	Taiwan	5,642	1.1
Sanofi India	Pharmaceuticals	India	5,622	1.0
Nanofilm Technologies International	Chemicals	Singapore	5,096	1.0
KMC Kuei Meng International	Leisure Products	Taiwan	4,999	0.9
ChaCha Food	Food Products	China	4,988	0.9
NZX	Capital Markets	New Zealand	4,477	0.8
Absolute Clean Energy (Foreign)	Independent Power and Renewable Electricity Producers	Thailand	4,451	0.8
<b>Top fifty investments</b>			<b>511,973</b>	<b>94.8</b>
Convenience Retail Asia	Food & Staples Retailing	Hong Kong	4,125	0.8
Aspeed Technology	Semiconductors & Semiconductor Equipment	Taiwan	3,937	0.7
CE Info Systems	Software	India	3,789	0.7
Nazara Technologies	Entertainment	India	3,660	0.7
Thai Stanley Electric (Foreign)	Auto Components	Thailand	3,552	0.7
Credit Bureau Asia	Professional Services	Singapore	3,203	0.6
Tatva Chintan Pharma	Chemicals	India	3,013	0.6
Manulife Holdings	Insurance	Malaysia	1,616	0.3
First Sponsor Group (Warrants 21/03/2029)	Real Estate Management & Development	Singapore	235	-
AEON Stores Hong Kong	Multiline Retail	Hong Kong	222	-
<b>Top sixty investments</b>			<b>539,325</b>	<b>99.9</b>
First Sponsor Group (Warrants 30/05/2024)	Real Estate Management & Development	Singapore	123	-
G3 Exploration	Oil, Gas & Consumable Fuels	China	-	-
Total investments			539,448	99.9
Net current assets			604	0.1
<b>Total assets<sup>B</sup></b>			<b>540,052</b>	<b>100.0</b>

<sup>A</sup> Holding includes investment in both common and preference lines.

<sup>B</sup> Total assets less current liabilities.

# Investment Case Studies

## Cha Cha Food

**Seeds of growth:** ChaCha is a dominant player in a niche category of the foods industry in China. The company's cash cow is its seeds segment, which accounts for the bulk of sales. Its sunflower seed products cover different price bands from the classic red-bag seeds to flavoured blue-bag seeds and on up to the high-end Kuizhen series. Growth will come from ChaCha's nuts business, where the company is expanding its product portfolio and driving greater penetration.

**In which year did we first invest?**

2022

**Where is the head office?**

Anhui, China

**What does the company do?**

ChaCha Food is among China's leading seeds and nuts producers with well established brands, including the largest roasted seeds brand domestically.

**Why do we like the investment?**

ChaCha has been a leading player in China's packaged roasted seeds and nuts market since it was first set up in 1996. We view the company as well established within a fast-changing snack market. Its superior product quality, strong branding and deep-rooted distribution channels have the makings of a long-term winner.

This also reflects its stringent quality control of its production line and supply chain. ChaCha has historically been a strong offline channel player with an established distribution network. Among the major domestic snack players, ChaCha is also one of the few which manufactures its products in-house rather than resorting to outsourcing, thereby gaining an edge in food quality. It has local production and processing farms that are close to raw material and distribution terminals, resulting in more efficient and less costly transport of its products. A well-established supply chain also adds to the strength: ChaCha sources 80% of raw materials for its daily nuts directly from the main production areas during harvest season, then ships back, processes and sells the products within the same quarter.

Another core strength has been a nimble organisational structure after several rounds of management and strategy reform since 2015 (with the latest in the second half of 2021 following the return of chairman Chen Xianbao). The company has been resilient in a tough operating environment amid the pandemic. We have seen it maintain decent growth over the short term, with a smooth price increase in its seeds segment and recovery in its monthly shipments, at a time when most food and beverage categories have been seeing softening demand.

For ChaCha, the seeds segment has been its cash cow, thanks to a dominant market share in China. Looking ahead, the nuts division is set to drive growth, supported by its larger total addressable market and positioning as daily consumption over leisure snacks. The company is following a "nuts plus" strategy to build up a diversified nut product portfolio, and it has started selling upgraded nut milk products online. ChaCha uses the online channel mainly as an extension of its offline distribution strength, as well as a platform for the company to engage with younger consumers and as part of the trial and testing of new products.

All this has increased our conviction in ChaCha's outlook. We see high-growth potential for ChaCha, as the highly fragmented industry presents a consolidation opportunity for a focused, vertically integrated player with strong brands.

On the ESG front, ChaCha has only a B rating from MSCI because its levels of disclosure are not high. We recently engaged with ChaCha to gain visibility on its risk-management policies in key ESG topics and to encourage the company to issue its first ESG report. We came away with a positive impression because ChaCha surprised us with its comprehensive and some best-in-class ESG practices in its daily operations, and its efforts to improve disclosure and business integration. The call enhanced our view on its ESG quality, and strengthened our confidence that ChaCha would be rated higher by MSCI after improving its disclosure. This would be a key area that we would look to work with ChaCha in future.



## Prestige Estates

**Expanding beyond the south:** Having been a leading property developer in South India, Prestige Estates is looking to drive growth by diversifying from its base in Bangalore to other parts of India, such as Mumbai (with its Prestige Jordan Classic residential development pictured above) and New Delhi.

### In which year did we first invest?

2019

### Where is the head office?

Bangalore, Karnataka, India

### What does the company do?

It is a leading South Indian developer with a good reputation for executing and completing projects, covering segments such as residential, commercial, retail, hospitality and property management.

### Why do we like the investment?

We regard Prestige Estates as a quality developer with a strong track record of residential housing development and a growing investment property portfolio. Founded in 1986, the group has completed more than 270 projects through the years. It has continued to show decent growth in pre-sales, completions, launches and rental income. Having been a leading player in South India, Prestige is looking to drive growth by diversifying from its base in Bangalore to other parts of India, such as Mumbai and New Delhi. Its expansion strategy has been sensible, as it is opting to add new projects through tie-ups with developers in other regions, such as HDFC in affordable housing.

Prestige has more than 150 million sq ft of real estate space in its pipeline and around a quarter of this is in locations outside south India. Its most recent updates have highlighted a new asset creation cycle as the company is planning an aggressive scaling up across all its business segments over the next five years, including the rebuilding of its shopping mall pipeline. Capital discipline is key and we would monitor how the company executes on this, albeit operating cash flows have been strong and pre-sales momentum remains positive. There is also support from a substantial improvement in the company's liquidity position, following the conclusion of a spin-off of assets to Blackstone and a stake sale in one of its office blocks.

More broadly, the government's bold housing programme is taking shape with affordable homes being built across the country, while sector reform such as the Real Estate (Regulation and Development) Act (RERA) has triggered

large-scale consolidation in the industry, with the strongest impact on the residential segment. We expect good quality developers with strong balance sheets and brands, such as Prestige Estates, likely to benefit the most. The consolidation theme is still happening with Prestige getting more deals from banks offloading their assets. We also see urbanisation and population growth, combined with increasing disposable income and the increase in nuclear families, as fuelling the overall demand for housing over the longer term.

With regard to the environment, social and governance (ESG) aspects, Prestige Estates has yet to have an MSCI ESG rating, but we are encouraged by the company's efforts towards a greener planet. The company is committed to designing and delivering assets with "green building" certification, while also incorporating water conservation and waste recycling. For instance, the company has installed rainwater harvesting mechanisms at all its project locations. Compared with conventional buildings, overall Prestige has conserved more than 30% of water in its portfolio of green buildings. Its freshwater consumption also fell by 19% in FY2022. The company also recycled 29% of its overall waste in FY2022. As for the social aspect, in terms of talent management, Prestige uses online learning resources to enhance the skills of its workforce, with a learning platform that has videos, articles, podcasts and TED Talks on various topics and interests. In addition, it has in place an employee well-being policy and Prevention of Sexual Harassment (POSH) policy that applies to all employees. We have also seen some progress in corporate governance. Independent representation on the board of directors is about 56%, while Prestige increased the number of female directors on the nine-member board to two in FY2020 from one previously.



# Condensed Statement of Comprehensive Income (unaudited)

		Six months ended 31 January 2023			Six months ended 31 January 2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments		-	9,989	9,989	-	2,033	2,033
Income	2	8,162	-	8,162	6,023	-	6,023
Exchange losses		-	(181)	(181)	-	(60)	(60)
Investment management fees		(376)	(1,128)	(1,504)	(413)	(1,239)	(1,652)
Administrative expenses		(601)	(16)	(617)	(582)	(390)	(972)
<b>Net return before finance costs and taxation</b>		<b>7,185</b>	<b>8,664</b>	<b>15,849</b>	<b>5,028</b>	<b>344</b>	<b>5,372</b>
Finance costs		(252)	(755)	(1,007)	(252)	(755)	(1,007)
<b>Net return before taxation</b>		<b>6,933</b>	<b>7,909</b>	<b>14,842</b>	<b>4,776</b>	<b>(411)</b>	<b>4,365</b>
Taxation	3	(249)	(588)	(837)	(225)	(963)	(1,188)
<b>Net return after taxation</b>		<b>6,684</b>	<b>7,321</b>	<b>14,005</b>	<b>4,551</b>	<b>(1,374)</b>	<b>3,177</b>
<b>Return per share (pence)<sup>A</sup></b>	4						
<b>Basic</b>		<b>4.26</b>	<b>4.66</b>	<b>8.92</b>	<b>2.90</b>	<b>(0.88)</b>	<b>2.02</b>
<b>Diluted</b>		<b>3.99</b>	<b>4.44</b>	<b>8.43</b>	<b>2.71</b>	<b>n/a</b>	<b>1.98</b>

<sup>A</sup> Figures for 2022 have been restated to reflect the 5:1 sub-division as disclosed in note 8 on page 23.

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

There is no other comprehensive income and therefore the net return after taxation is also the total comprehensive income for the period.

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

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

# Condensed Statement of Financial Position (unaudited)

	Notes	As at 31 January 2023 £'000	As at 31 July 2022 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss		539,448	524,841
<b>Current assets</b>			
Debtors and prepayments		1,842	1,464
Cash and short-term deposits		2,170	9,471
		4,012	10,935
<b>Creditors: amounts falling due within one year</b>			
Other creditors		(3,408)	(2,864)
<b>Net current assets</b>		604	8,071
<b>Total assets less current liabilities</b>		540,052	532,912
<b>Non-current liabilities</b>			
2.25% Convertible Unsecured Loan Stock 2025	7	(36,059)	(35,940)
3.05% Senior Unsecured Loan Note 2035	6	(29,895)	(29,892)
Deferred tax liability on Indian capital gains		(3,224)	(2,684)
		(69,178)	(68,516)
<b>Net assets</b>		470,874	464,396
<b>Capital and reserves</b>			
Called-up share capital	8	10,435	10,435
Capital redemption reserve		2,062	2,062
Share premium account		60,434	60,428
Equity component of 2.25% Convertible Unsecured Loan Stock 2025	7	1,057	1,057
Capital reserve		382,771	375,450
Revenue reserve		14,115	14,964
<b>Equity shareholders' funds</b>		470,874	464,396
<b>Net asset value per share (pence)</b>	9		
<b>Basic</b>		300.00	295.88
<b>Diluted</b>		299.15	295.25

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

# Condensed Statement of Changes in Equity (unaudited)

## Six months ended 31 January 2023

		Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Equity component CULS 2025 £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	Notes							
Balance at 31 July 2022		10,435	2,062	60,428	1,057	375,450	14,964	464,396
Conversion of 2.25% Convertible Unsecured Loan Stock 2025	8	-	-	6	-	-	-	6
Return after taxation		-	-	-	-	7,321	6,684	14,005
Dividends paid	5	-	-	-	-	-	(7,533)	(7,533)
<b>Balance at 31 January 2023</b>		<b>10,435</b>	<b>2,062</b>	<b>60,434</b>	<b>1,057</b>	<b>382,771</b>	<b>14,115</b>	<b>470,874</b>

## Six months ended 31 January 2022

		Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Equity component CULS 2025 £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2021 (*Restated)		10,435	2,062	60,412	1,057	401,124	12,868	487,958
Conversion of 2.25% Convertible Unsecured Loan Stock 2025	8	-	-	14	-	-	-	14
Return after taxation		-	-	-	-	(1,374)	4,551	3,177
Dividends paid	5	-	-	-	-	-	(5,022)	(5,022)
<b>Balance at 31 January 2022</b>		<b>10,435</b>	<b>2,062</b>	<b>60,426</b>	<b>1,057</b>	<b>399,750</b>	<b>12,397</b>	<b>486,127</b>

\* The financial statements for the year ended 31 July 2021 were restated to reallocate costs of £250,000 associated with the long term investment strategy review from revenue to capital.

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



# Condensed Statement of Cash Flows (unaudited)

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £'000
<b>Cash flows from operating activities</b>		
Return before finance costs and tax	15,849	5,372
Adjustments for:		
Dividend income	(8,125)	(6,023)
Interest income	(37)	-
Dividends received	8,260	6,599
Interest received	37	-
Interest paid	(871)	(871)
Gains on investments	(9,989)	(2,033)
Foreign exchange movements	181	60
Increase/(decrease) in prepayments	(8)	11
Decrease in other debtors	10	8
(Decrease)/increase in other creditors	(975)	165
Stock dividends included in investment income	-	(157)
Overseas withholding tax suffered	(297)	(355)
Net cash inflow from operating activities	4,035	2,776
<b>Cash flows from investing activities</b>		
Purchase of investments	(28,361)	(44,447)
Sales of investments	24,739	36,150
Net cash outflow from investing activities	(3,622)	(8,297)
<b>Cash flows from financing activities</b>		
Equity dividends paid	(7,533)	(5,022)
Net cash outflow from financing activities	(7,533)	(5,022)
Decrease in cash and cash equivalents	(7,120)	(10,543)
<b>Analysis of changes in cash and short term deposits</b>		
Opening balance	9,471	14,577
Decrease in cash and short term deposits	(7,120)	(10,543)
Foreign exchange movements	(181)	(60)
<b>Closing balance</b>	<b>2,170</b>	<b>3,974</b>

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

# Notes to the Financial Statements

For the six months ended 31 January 2023

## 1. Accounting policies

**Basis of accounting.** The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice (SORP) for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued in July 2022 (The AIC SORP). They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

## 2. Income

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £'000
<b>Income from investments</b>		
Overseas dividends	7,914	5,697
UK dividend income	211	169
Stock dividends	-	157
	8,125	6,023
<b>Other income</b>		
Deposit interest	37	-
<b>Total income</b>	<b>8,162</b>	<b>6,023</b>

## 3. Taxation

The taxation charge for the period allocated to revenue represents withholding tax suffered on overseas dividend income. The taxation charge for the period allocated to capital represents capital gains tax arising on the sale of Indian equity investments.

#### 4. Return per share

	Six months ended 31 January 2023 p	(*Restated) Six months ended 31 January 2022 p
<b>Basic</b>		
Revenue return	4.26	2.90
Capital return	4.66	(0.88)
<b>Total return</b>	<b>8.92</b>	<b>2.02</b>

The figures above are based on the following:

	£'000	£'000
Revenue return	6,684	4,551
Capital return	7,321	(1,374)
<b>Total return</b>	<b>14,005</b>	<b>3,177</b>

<b>Weighted average number of shares in issue<sup>A</sup></b>	<b>156,954,206</b>	<b>156,949,665</b>
---	--------------------	--------------------

	Six months ended 31 January 2023 p	(*Restated) Six months ended 31 January 2022 p
<b>Diluted<sup>B</sup></b>		
Revenue return	3.99	2.71
Capital return	4.44	n/a
<b>Total return</b>	<b>8.43</b>	<b>1.98</b>

The figures above are based on the following:

	£'000	£'000
Revenue return	6,753	4,596
Capital return	7,529	(1,237)
<b>Total return</b>	<b>14,282</b>	<b>3,359</b>

<b>Number of dilutive shares</b>	<b>12,505,379</b>	<b>12,509,930</b>
<b>Diluted shares in issue<sup>AB</sup></b>	<b>169,459,585</b>	<b>169,459,595</b>

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

<sup>B</sup> The calculation of the diluted total, revenue and capital returns per Ordinary share is carried out in accordance with IAS 33, 'Earnings per Share'. For the purpose of calculating total, revenue and capital returns per Ordinary share, the number of Ordinary shares used is the weighted average number used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all 2.25% Convertible Unsecured Loan Stock 2025 (CULS). The calculations indicate that the exercise of CULS would result in an increase in the weighted average number of Ordinary shares of 12,505,379 (31 January 2022 restated - 12,509,930) to 169,459,585 (31 January 2022 restated - 169,459,595) Ordinary shares.

# Notes to the Financial Statements

## Continued

For the six months ended 31 January 2023 the assumed conversion for potential Ordinary shares was dilutive to the revenue return per Ordinary share (31 January 2022 – dilutive) and dilutive to the capital return per Ordinary share (31 January 2022 – non-dilutive). Where dilution occurs, the net returns are adjusted for interest charges and issue expenses relating to the CULS (31 January 2023 – £277,000; 31 January 2022 – £182,000). Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted.

\* The returns per share figures for January 2022 have been restated to reflect the 5:1 sub-division as disclosed in note 8 on page 23.

## 5. Dividends

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £'000
Final dividend for 2021 – 3.0p	-	4,708
Special dividend for 2022 – 1.6p (2021 – 0.2p)	2,511	314
Interim dividend for 2022 – 1.6p	2,511	-
Interim dividend for 2023 – 1.6p	2,511	-
	7,533	5,022

## 6. Senior Unsecured Loan Note

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

The fair value of the Senior Unsecured Loan Note as at 31 January 2023 was £27,353,000, the value being based on a comparable quoted debt security.

## 7. 2.25% Convertible Unsecured Loan Stock 2025 ("CULS")

	Nominal £'000	Liability component £'000	Equity component £'000
Balance at beginning of period	36,642	35,940	1,057
Conversion of CULS into Ordinary shares	(6)	(6)	-
Notional interest on CULS	-	77	-
Amortisation of issue expenses	-	48	-
<b>Balance at end of period</b>	<b>36,636</b>	<b>36,059</b>	<b>1,057</b>

The 2.25% Convertible Unsecured Loan Stock 2025 ("CULS") can be converted at the election of holders into Ordinary shares during the months of May and November each year throughout its life until 31 May 2025 at a rate of 1 Ordinary share for every 293.0p nominal of CULS. Interest is paid on the CULS on 31 May and 30 November each year.

In the event of a winding-up of the Company the rights and claims of the Trustee and CULS holders would be subordinate to the claims of all creditors in respect of the Company's secured and unsecured borrowings, under the terms of the Trust Deed.

During the period ended 31 January 2023 the holders of £6,334 of 2.25% CULS 2025 exercised their right to convert their holdings into Ordinary shares. Following the receipt of the exercise instructions, the Company converted £6,334 (31 July 2022 - £15,343) nominal amount of CULS into 2,158 (31 July 2022 - 5,211) Ordinary shares.

As at 31 January 2023, there was £36,636,078 (31 July 2022 - £36,642,412) nominal amount of CULS in issue.

## 8. Called-up share capital

During the six months ended 31 January 2023 no Ordinary shares were bought back to be held in treasury at a total cost of £nil (31 January 2022 - nil). During the six months ended 31 January 2023 an additional 2,158 (31 July 2022 - 5,211) Ordinary shares were issued after 6,334 nominal amount of 2.25% Convertible Unsecured Loan Stock 2025 were converted at 293.0p each (31 July 2022 - £15,343). The total consideration received was £nil (31 July 2022 - £nil). At the end of the period there were 208,700,379 (31 July 2022 - 208,698,221) Ordinary shares in issue, of which 51,744,590 (31 July 2022 - 51,744,590) were held in treasury.

On 4 February 2022 there was a sub-division of each existing Ordinary 25p share into 5 Ordinary shares of 5p each. As a result the conversion price of the CULS decreased from 1,465p to 293p.

Subsequent to the period end, 120,000 Ordinary shares have been bought back to be held in treasury at a cost of £304,000.

# Notes to the Financial Statements

## Continued

### 9. Net asset value per share

	As at 31 January 2023	As at 31 July 2022
<b>Basic</b>		
Net assets attributable	<b>£470,874,000</b>	£464,396,000
Number of shares in issue <sup>A</sup>	<b>156,955,789</b>	156,953,631
Net asset value per share	<b>300.00p</b>	295.88p
<b>Diluted<sup>B</sup></b>		
Net assets attributable	<b>£506,932,000</b>	£500,336,000
Number of shares	<b>169,459,570</b>	169,459,574
Net asset value per share	<b>299.15p</b>	295.25p

<sup>A</sup> Excludes shares in issue held in treasury.

<sup>B</sup> The diluted net asset value per Ordinary share has been calculated on the assumption that £36,636,078 (31 July 2022 – £36,642,412) 2.25% Convertible Unsecured Loan Stock 2025 ("CULS") are converted at 293.0p per share, giving a total of 169,459,570 (31 July 2022 – 169,459,574) Ordinary shares. Where dilution occurs, the net assets are adjusted for items relating to the CULS.

Net asset value per share – debt converted. In accordance with the Company's understanding of the current methodology adopted by the AIC, convertible financial instruments are deemed to be 'in the money' if the cum income net asset value ("NAV") exceeds the conversion price of 293.0p per share. In such circumstances a net asset value is produced and disclosed assuming the convertible debt is fully converted. At 31 January 2023 the cum income NAV was 300.00p and thus the CULS were 'in the money' (31 July 2022 – same).

### 10. Transaction costs

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

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £'000
Purchases	<b>49</b>	46
Sales	<b>61</b>	81
	<b>110</b>	127



## 11. Analysis of changes in net debt

	At 31 July 2022 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 January 2023 £'000
Cash and short-term deposits	9,471	(181)	(7,120)	-	2,170
Debt due after more than one year	(68,516)	-	-	(662)	(69,178)
	(59,045)	(181)	(7,120)	(662)	(67,008)

	At 31 July 2021 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 January 2022 £'000
Cash and short-term deposits	14,577	(60)	(10,543)	-	3,974
Debt due within one year	(65,594)	-	-	(114)	(65,708)
	(51,017)	(60)	(10,543)	(114)	(61,734)

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.

## 12. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy 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.

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

# Notes to the Financial Statements

## Continued

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 January 2023</b>				
<b>Financial assets at fair value through profit or loss</b>				
Quoted equities	524,641	-	11,186	535,827
Quoted preference shares	-	3,263	-	3,263
Quoted warrants	-	358	-	358
<b>Net fair value</b>	<b>524,641</b>	<b>3,621</b>	<b>11,186</b>	<b>539,448</b>

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 July 2022</b>				
<b>Financial assets at fair value through profit or loss</b>				
Quoted equities	511,540	-	9,664	521,204
Quoted preference shares	-	3,203	-	3,203
Quoted warrants	-	434	-	434
<b>Net fair value</b>	<b>511,540</b>	<b>3,637</b>	<b>9,664</b>	<b>524,841</b>

**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.

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

	Six months ended 31 January 2023 £'000	Year ended 31 July 2022 £'000
<b>Level 3 Financial assets at fair value through profit or loss</b>		
Opening fair value	9,664	-
Transfer from level 1	-	9,664
Total gains or losses included in losses on investments in the Statement of Comprehensive Income:		
- assets held at the end of the year	1,522	-
<b>Closing balance</b>	<b>11,186</b>	<b>9,664</b>

### 13. Related party disclosures

Mr Young is a director of abrdn Asia Limited ("abrdn Asia"), which has been delegated, under an agreement with abrdn Fund Managers Limited ("aFML"), to provide management services to the Company. Mr Young is not a director of aFML.

Transactions with the Manager. The investment management fee is payable monthly in arrears based on the market capitalisation of the Company multiplied by the number of shares in issue (less those held in treasury) at the month end. With effect from 1 August 2021 the annual management fee has been charged at 0.85% for the first £250,000,000, 0.60% for the next £500,000,000 and 0.50% over £750,000,000. During the period £1,504,000 (31 January 2022 – £1,652,000) of investment management fees were charged, with a balance of £990,000 (31 January 2022 – £586,000) being payable to aFML at the period end. Investment management fees are charged 25% to revenue and 75% to capital.

The Company also has a management agreement with aFML for the provision of both administration and promotional activities services. The administration fee is payable quarterly in advance and is adjusted annually to reflect the movement in the Retail Price Index. It is based on a current annual amount of £105,000 (31 January 2022 – £105,000). During the period £52,000 (31 January 2022 – £51,000) of fees were charged, with a balance of £52,000 (31 January 2022 – £26,000) payable to aFML at the period end. The promotional activities costs are based on a current annual amount of £219,000 (31 January 2022 – £219,000), payable quarterly in arrears. During the period £128,000 (31 January 2022 – £110,000) of fees were charged, with a balance of £128,000 (31 January 2022 – £73,000) being payable to aFML at the period end.

### 14. Segmental information

The Company is engaged in a single segment of business, which is to invest in equity securities and debt instruments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based on the Company as one segment.

### 15. Half-Yearly Report

The financial information in this Report does not comprise statutory accounts within the meaning of Section 434 – 436 of the Companies Act 2006. The financial information for the year ended 31 July 2022 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified and contained no statement under Section 498 (2), (3) or (4) of the Companies Act 2006. The condensed interim financial statements have been prepared using the same accounting policies as the preceding annual financial statements.

### 16. This Half-Yearly Report was approved by the Board and authorised for issue on 30 March 2023.

# Alternative Performance Measures ("APMs")

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

## Discount to net asset value per Ordinary share

The difference between the share price and the net asset value per Ordinary share expressed as a percentage of the net asset value per Ordinary share. This has been presented on a diluted basis as the Convertible Unsecured Loan Stock ("CULS") is "in the money".

		31 January 2023	31 July 2022
NAV per Ordinary share (p)	a	299.15	295.25
Share price (p)	b	263.00	254.00
Discount	(a-b)/a	12.1%	14.0%

## Net gearing

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

		31 January 2023	31 July 2022
Borrowings (£'000)	a	65,954	65,832
Cash and short term deposits (£'000)	b	2,170	9,471
Amounts due to brokers (£'000)	c	1,511	-
Amounts due from brokers (£'000)	d	797	280
Shareholders' funds (£'000)	e	470,874	464,396
Net gearing	(a-b+c-d)/e	13.7%	12.1%

## Ongoing charges

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average published daily net asset values with debt at fair value throughout the year. The ratio as at 31 January 2023 is based on forecast ongoing charges for the year ending 31 July 2023.

	31 January 2023	31 July 2022
Investment management fees (£'000)	3,055	3,204
Administrative expenses (£'000)	1,192	1,561
Less: non-recurring charges (£'000) <sup>A</sup>	(28)	(428)
<b>Ongoing charges (£'000)</b>	<b>4,219</b>	<b>4,337</b>
<b>Average net assets (£'000)</b>	<b>466,854</b>	<b>490,446</b>
<b>Ongoing charges ratio</b>	<b>0.90%</b>	<b>0.88%</b>

<sup>A</sup> Professional fees comprising corporate and legal fees incurred associated with proposals approved by shareholders on 27 January 2022.

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

## Total return

NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV and share price total returns are monitored against open-ended and closed-ended competitors, and the Reference Index, respectively.

Six months ended 31 January 2023		NAV	Share Price
Opening at 1 August 2022	a	295.25p	254.00p
Closing at 31 January 2023	b	299.15p	263.00p
Price movements	$c=(b/a)-1$	1.3%	3.5%
Dividend reinvestment <sup>A</sup>	d	1.7%	2.0%
<b>Total return</b>	<b>c+d</b>	<b>+3.0%</b>	<b>+5.5%</b>

# Alternative Performance Measures ("APMs")

## Continued

Year ended 31 July 2022		NAV	Share Price
Opening at 1 August 2021	a	309.02p	266.00p
Closing at 31 July 2022	b	295.25p	254.00p
Price movements	$c=(b/a)-1$	-4.5%	-4.5%
Dividend reinvestment <sup>A</sup>	d	2.5%	2.8%
<b>Total return</b>	c+d	-2.0%	-1.7%

NAV total return from inception (19 October 1995) to		31 January 2023	31 July 2022
Opening NAV	a	20.00p	20.00p
Closing NAV	b	299.15p	295.25p
Price movements	$c=(b/a)-1$	1395.8%	1376.3%
Dividend reinvestment <sup>A</sup>	d	799.9%	739.3%
<b>Total return</b>	c+d	+2195.7%	+2115.6%

<sup>A</sup> 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.



# How to Invest in abrdn Asia Focus plc

## Keeping You Informed

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

Twitter: [@abrdnTrusts](https://twitter.com/abrdnTrusts)

LinkedIn: [abrdn Investment Trusts](https://www.linkedin.com/company/abrdn-investment-trusts)

## AIFMD

The Company has appointed abrdn Fund Managers Limited as its alternative investment fund manager and BNP Paribas Securities Services as its depositary under the AIFMD. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD which can be found on the website [asia-focus.co.uk](http://asia-focus.co.uk). The KID relating to the Company and published by the Manager can be found in the 'Literature Library' section of the Company's website.

## Website

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

## Investor Warning

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

These callers do not work for abrdn and any third party making such offers has no link with abrdn. abrdn 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 using the details below.

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

## Shareholder Enquiries

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

Any general enquiries about the Company should be directed to the Company Secretary, abrdn Asia Focus plc, 1 George Street, Edinburgh EH2 2LL or by email [CEF.CoSec@abrdn.com](mailto:CEF.CoSec@abrdn.com).

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

## Direct

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through the abrdn Investment Plan for Children, abrdn Share Plan and abrdn Investment Trusts ISA.

# How to Invest in abrdn Asia Focus plc

## Continued

### **abrdn Investment Plan for Children**

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

### **abrdn Share Plan**

abrdn runs an Investment Trust Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

### **abrdn Investment Trusts ISA**

abrdn operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2023/2024.

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

### **ISA Transfer**

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

### **Literature Request Service**

For literature and information on the Investment Plan for Children, Investment Trust Share Plan, ISA or ISA Transfer including application forms for the Company and the Manager's investment trust products, please contact abrdn Investment Trust Administration, PO Box 11020, Chelmsford, Essex, CM99 2DB Telephone: 0808 500 00 40 (free when dialling from a UK landline). Terms and conditions for the abrdn-managed savings products can also be found under the literature section of [invtrusts.co.uk](https://www.invtrusts.co.uk).

## Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include: AJ Bell Youinvest; Barclays Smart Investor; Charles Stanley Direct; Fidelity; Halifax Share Dealing; Hargreaves Lansdown; Interactive Investor (a wholly owned subsidiary of abrdn plc); Novia; Transact; and Standard Life.

## Discretionary Private Client Stockbrokers

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

## Independent Financial Advisers

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

## Regulation of Stockbrokers

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

Tel: **0800 111 6768** or  
visit <https://register.fca.org.uk>  
Email: [register@fca.org.uk](mailto:register@fca.org.uk)

## 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 who are seeking exposure to smaller companies in Asia, and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, in order that the shares issued by abrdn Asia Focus plc can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments (NMPIs).

The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## 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 above is issued and has been approved for the purposes of the Financial Services and Markets Act 2000 by abrdn Investments Limited, 280 Bishopsgate, London EC2M 4AG which is authorised and regulated by the Financial Conduct Authority*







# Contact Addresses

## Directors

Krishna Shanmuganathan, Chairman  
Randal McDonnell, the Earl of Antrim  
Charlotte Black  
Lindsay Cooper  
Alex Finn

## Registered in England as an Investment Company

Registration Number 03106339

## Manager

abrdn Asia Limited  
21 Church Street  
#01-01 Capital Square Two  
Singapore 049480

## Alternative Investment Fund Manager\*

abrdn Fund Managers Limited  
Authorised and regulated by the Financial  
Conduct Authority

280 Bishopsgate  
London  
EC2M 4AG  
(\* appointed as required by EU Directive 2011/61/EU)

## Secretaries and Registered Office

abrdn Holdings Limited  
280 Bishopsgate  
London  
EC2M 4AG

## Registrars

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Telephone enquiries **0371 384 2416**  
Overseas helpline number: **+44 (0) 371 384 2416**  
Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday  
(excluding bank holidays)  
**shareview.co.uk**

## Stockbrokers

Panmure Gordon & Co  
1 New Change  
London EC4M 9AF

## Solicitors

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

## Independent Auditor

PricewaterhouseCoopers LLP  
141 Bothwell Street,  
Glasgow, G2 7EQ

## CULS Trustee

The Law Debenture Corporation p.l.c.  
Fifth Floor  
100 Wood Street  
London EC2V 7EX

## Depository

BNP Paribas Securities Services, London Branch  
10 Harewood Avenue  
London NW1 6AA

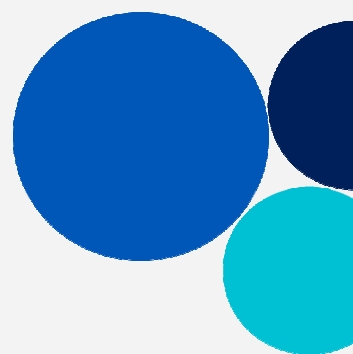
## Website

**asia-focus.co.uk**

**Foreign Account Tax Compliance Act  
("FATCA") IRS Registration Number ("GIIN"):**  
5ITCFT.99999.SL.826

## Legal Entity Identifier

5493000FBZP1J92OQY70



# Important Information

## The Company

The Company is an investment trust and its Ordinary shares and Convertible Unsecured Loan Stock ("CULS") are listed on the premium segment of the London Stock Exchange. The Company aims to attract long-term private and institutional investors wanting to benefit from the growth prospects of Asia's smaller companies.

## Investment Objective

The Company aims to maximise total return to shareholders over the long term from a portfolio made up predominantly of quoted smaller companies in the economies of Asia excluding Japan. (On 27 January 2022 shareholders approved an amended investment objective.)

## Five-Year Performance Linked Tender

On 27 January 2022 shareholders approved the introduction of a performance-linked tender offer, which provides that, in the event of underperformance of the NAV per Share versus the MSCI AC Asia ex Japan Small Cap Index over a five-year period commencing 1 August 2021, Shareholders will be offered the opportunity to realise a proportion of their holding for cash at a level close to NAV less costs of the tender offer. The tender offer would be capped at a maximum of 25% of the issued share capital of the Company at that time.

## Comparative Index

The Company does not have a benchmark. From 1 August 2021 the Manager has utilised the MSCI AC Asia ex Japan Small Cap Index (currency adjusted) as well as peer group comparisons for Board reporting. For periods prior to 1 August 2021, a composite index is used comprising the MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted) up to 31 July 2021 and the MSCI AC Asia ex Japan Small Cap Index (currency adjusted) thereafter. It is likely that performance will diverge, possibly quite dramatically in either direction, from the comparative index. The Manager seeks to minimise risk by using in-depth research and does not see divergence from an index as risk.

## Investment Manager and Alternate Investment Fund Manager

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

## CULS Conversion Date

The 2.25% Convertible Unsecured Loan Stock 2025 was originally issued on 29 May 2018. The CULS is convertible at any time during the periods of 28 days ending on 30 November and 31 May in each year from November 2018 to May 2025 (each such period and any other period during which Conversion Rights may be exercised being a "Conversion Period") on the basis of 293.0p nominal of CULS for one Ordinary share of 5p. Conversion requests must be received by 5.00 p.m. on the last day of the relevant Conversion Period (each such last day being a "Conversion Date" and the Conversion Date falling on 31 May 2025 or Final Repayment Date being the "Final Conversion Date").

For more information visit [asia-focus.co.uk](https://asia-focus.co.uk)

**abrdn.com**