Aberdeen Asian Income Fund Limited

Annual Report and Accounts
31 December 2012

2012

Aberdeen

Contents

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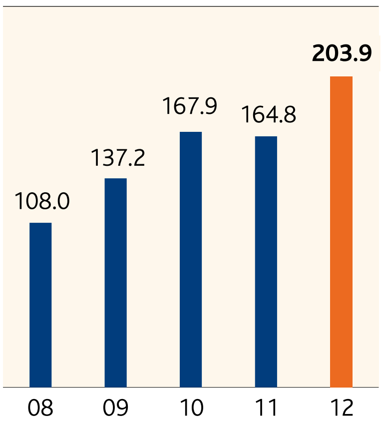
Financial Highlights

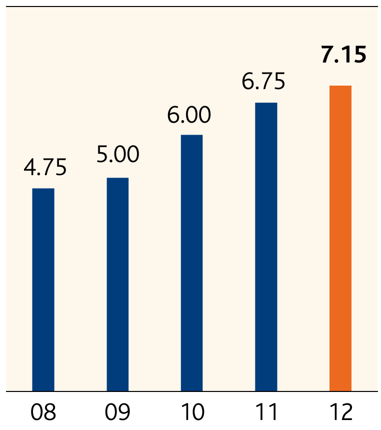
	2012	2011
Share price total return[A]	**+37.3%**	+2.7%
Diluted net asset value total return[A]	**+28.5%**	+2.2%
MSCI AC Asia Pacific ex Japan Index (currency adjusted)[A]	**+17.2%**	–14.8%
Dividends per share	**7.15p**	6.75p

[A] 1 year return

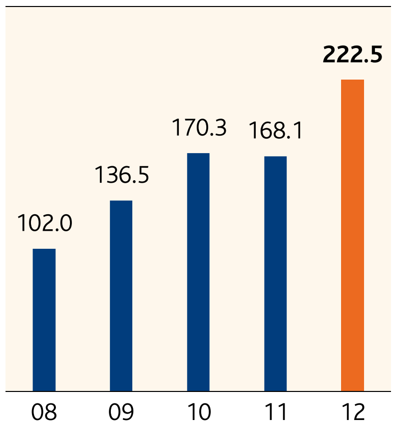
Diluted net asset value per share
At 31 December – pence



Dividends per share
pence



Mid-market price per share
At 31 December – pence



Financial Calendar

18 February 2013	Payment of fourth interim dividend for year ended 31 December 2012
27 March 2013	Announcement of results for year ended 31 December 2012
8 May 2013	FINAL Warrant Subscription Date
9 May 2013	Annual General Meeting at No.1 Seaton Place, St Helier, Jersey JE4 8YJ at 9.30 a.m.
May 2013	Announcement of Interim Management Statement for quarter to 31 March 2013
17 May 2013	Payment of first interim dividend for year ending 31 December 2013
23 August 2013	Payment of second interim dividend for year ending 31 December 2013
August 2013	Announcement of half yearly results for the six months ending 30 June 2013
October 2013	Announcement of Interim Management Statement for quarter to 30 September 2013
15 November 2013	Payment of third interim dividend for year ending 31 December 2013
February 2014	Payment of fourth interim dividend for year ending 31 December 2013

Corporate Summary

The Company

Aberdeen Asian Income Fund Limited (the "Company") is a Jersey-incorporated, closed-end investment company and its shares are listed on the London Stock Exchange. The Company is a member of the Association of Investment Companies.

Investment Objective

The investment objective of the Company is to provide investors with a total return primarily through investing in Asian Pacific securities, including those with an above average yield. Within its overall investment objective, the Company aims to grow its dividends over time.

Investment Policy

The Company primarily invests in the Asia Pacific region through investment in:

- companies listed on stock exchanges in the Asia Pacific region;
- Asian Pacific securities, such as global depositary receipts (GDRs), listed on other international stock exchanges;
- companies listed on other international exchanges that derive significant revenues or profits from the Asia Pacific region; and
- debt issued by governments or companies in the Asia Pacific region or denominated in Asian Pacific currencies.

The Company's investment policy is flexible, enabling it to invest in all types of securities, including equity shares, preference shares, debt, convertible securities, warrants and other equity-related securities.

The Company is free to invest in any particular market segments or any particular countries in the Asia Pacific region.

The Company invests in small, mid and large capitalisation companies. The Company's policy is not to acquire securities that are unquoted or unlisted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be quoted or listed if the Investment Manager considers this to be appropriate.

Typically, the portfolio will comprise 30 to 50 holdings (but without restricting the Company from holding a more or less concentrated portfolio in the future).

The Company will not invest more than 10 per cent., in aggregate, of the value of its gross assets in other investment trusts or investment companies admitted to the Official List, provided that this restriction does not apply to investments in any such investment trusts or investment companies which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other investment trusts or investment companies admitted to the Official List. In any event, the Company will not invest more than 15 per cent. of its gross assets in other investment trusts or investment companies admitted to the Official List.

In addition, the Company will not:

- invest, either directly or indirectly, or lend more than 20 per cent. of its gross assets to any single underlying issuer (including the underlying issuer's subsidiaries or affiliates), provided that this restriction does not apply to cash deposits awaiting investment;
- invest more than 20 per cent. of its gross assets in other collective investment undertakings (open-ended or closed-ended);
- expose more than 20 per cent. of its gross assets to the creditworthiness or solvency of any one counterparty (including the counterparty's subsidiaries or affiliates);
- invest in physical commodities;
- enter into derivative transactions for speculative purposes;
- take legal or management control of any of its investee companies; or
- conduct any significant trading activity.

The Company may invest in derivatives, financial instruments, money market instruments and currencies solely for the purpose of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the Company's investments, including any technique or instrument used to provide protection against exchange and credit risks).

The Investment Manager expects the Company's assets will normally be fully invested. However, during periods in which changes in economic conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its position in cash and money market instruments.

The Board is responsible for determining the gearing strategy for the Company. The Board has restricted the maximum level of gearing to 25 per cent. of net assets although, in normal market conditions, the Company is unlikely to take out gearing in excess of 10 per cent. of net assets. 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. Borrowings are short term and particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy.

The percentage investment and gearing limits set out under this sub-heading "Investment Policy" are only applied at the time of the relevant investment is made or borrowing is incurred.

General

In the event of any breach of the Company's investment policy, shareholders will be informed of the actions to be taken by the Investment Manager by an announcement issued through a Regulatory Information Service or a notice sent to shareholders at their registered addresses in accordance with the Articles.

The Company may only make material changes to its investment policy (including the level of gearing set by the Board) with the approval of shareholders (in the form of an ordinary resolution). In addition, any changes to the Company's investment objective or policy will require the prior consent of the Jersey Financial Services Commission ("JFSC") to the extent that they materially affect the import of the information previously supplied in connection with its approval under Jersey Funds Law or are contrary to the terms of the Jersey Funds Codes.

MSCI AC Asia Pacific (ex Japan) Index

The Company compares its performance against the currency-adjusted MSCI AC Asia Pacific (ex Japan) Index. The Company's portfolio is constructed without reference to any stockmarket index. It is likely, therefore, that there will be periods when the Company's performance will be quite unlike that of any index and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage.

Investment Manager

The Company is managed by Aberdeen Private Wealth Management Limited (regulated by the Jersey Financial Services Commission) and day-to-day investment management decisions are delegated to Aberdeen Asset Management Asia Limited ("AAM Asia").

Capital Structure

At 31 December 2012 the Company had a capital structure comprising 151,182,346 Ordinary shares of no par value, 60,000,000 C shares of no par value and 3,574,043 Warrants. The Ordinary shares and C shares give shareholders the entitlement to all of the capital growth in the Company's assets and to all the income from the Company that is resolved to be distributed to each class of share. Each Warrant confers the right to subscribe in cash for one Ordinary share at a price of 120p on the twentieth business day after despatch of the Company's Annual or Half-Yearly Reports. The Final Subscription Date will be on 8 May 2013, the twentieth business day after despatch of the Annual Report for the year ending 31 December 2012. Warrant-holders should refer to the separate reminder letter accompanying this Annual Report.

The Company also had bank borrowings at 31 December 2012 amounting to £13.3 million which rank for repayment ahead of any capital return to shareholders.

Total Assets and Net Asset Value

The Company had total assets* of £386.2 million and a diluted net asset value of 203.9 pence per Ordinary share and 102.8p per C share at 31 December 2012.
* see definition on page 61

Websites*

Further information on the Company may be obtained from the following websites:

www.asian-income.co.uk
www.aberdeen-asset.com

*The maintenance and integrity of the Aberdeen Asian Income Fund Limited website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Furthermore, legislation in Jersey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Secretary

Aberdeen Private Wealth Management Limited, No. 1 Seaton Place, St Helier, Jersey JE4 8YJ

Email: company.secretary@invtrusts.co.uk

Customer Services

Freephone: 0500 00 00 40
(open Monday – Friday, 9am – 5pm)

Email: inv.trusts@aberdeen-asset.com

Principal Risks and Uncertainties

An investment in the Ordinary shares and/or Warrants is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment and who have sufficient resources to bear any loss which may result from such investment. Furthermore, an investment in the Ordinary shares and/or Warrants should constitute part of a diversified investment portfolio.

The risks described below are those risks that the Directors considered at the date of this Annual Report to be material but are not the only risks relating to the Company or its shares. If any of the adverse events described below actually occur, the Company's financial condition, performance and prospects and the price of its shares could be materially adversely affected and shareholders may lose all or part of their investment. Additional risks which were not known to the Directors at the date of this Annual Report, or that the Directors considered at the date of this Annual Report to be immaterial, may also have an effect on the Company's financial condition, performance and prospects and the price of the shares.

If shareholders are in any doubt as to the consequences of their acquiring, holding or disposing of shares in the Company or whether an investment in the Company is suitable for them, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, in the case of prospective investors outside the United Kingdom, another appropriately authorised independent financial adviser.

Investment Objective

There is no guarantee that the Company will achieve its investment objective as its ability to do so is largely dependent on:

- market conditions and responses to market conditions that are subject to uncertainties due to possible changes in economic or industry conditions, competition, political and diplomatic events, natural disasters, changes in laws (including taxation and regulation) and other factors beyond the control of the Company or the Investment Manager; and
- the performance of the Investment Manager in acquiring, managing and disposing of investments for the Company in accordance with the Company's investment policy (and, whilst the Investment Manager applies investment techniques and risk analyses in making investment decisions for the Company, there can be no guarantee that these will produce the desired results).

Ordinary Shares

- The Directors intend to operate an active discount management policy through the use of Ordinary share buy-backs to seek to maintain the price at which the Ordinary shares trade relative to their prevailing NAV at a discount of no more than 5.0 per cent. The making and timing of Ordinary share buy-backs is subject to a number of legal and regulatory restrictions and other factors and remains at the absolute discretion of the Board. Accordingly, there is no guarantee that the Board's discount management policy will achieve its objective or always be, or be capable of being, implemented.
- In the event of the winding-up of the Company prior to the exercise of the subscription rights conferred by the Warrants, Warrantholders may receive a payment out of the assets which would otherwise be available for distribution amongst the Ordinary shareholders.

General

- The value of the shares, and the income derived from them (if any), can fluctuate and may go down as well as up. An investment in shares should be regarded, therefore, as medium to long-term in nature and may not be suitable as a short-term investment.
- An investment in shares represents an indirect investment in the securities owned by the Company and attributable to those shares. The value of those securities, like other market investments, may go down as well as up, sometimes rapidly and unpredictably. Changes in the value of the Company's investments will affect the NAV of the shares to which they are attributable. Accordingly, the NAV of a share may go down as well as up, sometimes rapidly and unpredictably, and at any point in time may be worth less than the original investment, even after taking into account dividends paid by the Company in respect of that share. As a result, investors in the shares may not be able to realise the full amount of their original investment.
- The share price of a share, as well as being affected by its NAV, also takes into account its dividend yield, prevailing interest rates, the interaction of supply and demand for them in the market, market conditions generally and general investor sentiment. As a result, and notwithstanding the existence of powers to buy back Ordinary shares through the market and the Board's discount management policy, the share price of a share may vary considerably from its NAV (representing either a discount or a premium to that NAV) and may fall when the NAV is rising, or vice versa.
- The published share price of a share is typically its mid-market price. Due to the potential difference between the mid-market price of a share and the price at which it can be sold, there is no guarantee that the realisable value of a share will reflect its published share price.
- The Company does not have a fixed life and shareholders have no right to have their shares repurchased or redeemed by the Company. Accordingly, shareholders wishing to realise their investment in the Company will be required to dispose of their shares through the stockmarket. Market liquidity in the shares of London-listed closed-end investment companies is frequently inferior to the market liquidity in shares issued by larger companies traded on the London Stock Exchange. There can be no guarantee that a liquid market in the shares will exist or be maintained. Accordingly, shareholders may be unable to realise their shares at their published or quoted share price.

Dividends

- The Directors have absolute discretion in determining the level of dividends payable by the Company. The Company will only pay dividends on the shares to the extent that it has sufficient financial resources available for the purpose in accordance with Jersey Company Law. The ability of the Company, therefore, to pay dividends in respect of the shares and any future dividend growth will depend primarily on the level of income received from its investments (which may be affected by, amongst others, exchange controls or withholding taxes imposed by jurisdictions in which the Company invests) and the timing of receipt of such income by the Company. Accordingly, there is no guarantee that the Company's dividend objective will continue to be met and the amount of the dividends paid to Ordinary shareholders may fluctuate and may go down as well as up.

Investment Risks

General Market Risks

- Stockmarket movements and changes in economic conditions (including, for example, interest rates, foreign exchange rates and rates of inflation), changes in industry conditions, competition, political and diplomatic events, natural disasters, changes in laws (including taxation and regulation), investors' perceptions and other factors beyond the control of the Company or the Investment Manager can substantially and either adversely or favourably affect the value of the securities in which the Company invests and, therefore, the Company's financial condition, performance and prospects.
- There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Company's valuation of that investment for the purposes of calculating the NAV of a share and the sale of any investment at a price below the Company's valuation of that investment will result in a diminution of the relevant NAV.

Emerging Market Risks

Investment in certain emerging securities markets of the Asia Pacific region may involve a greater degree of risk than that usually associated with investment in more developed securities markets. In particular, in certain countries in which the Company invests:

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

Debt Securities

- Any debt securities that may be held by the Company will be affected by general changes in interest rates that will in turn result in increases and decreases in the market value of those instruments. When interest rates decline, the value of the Company's investments in fixed rate debt obligations can be expected to rise and, when interest rates rise, the value of those investments may decline.
- Adverse changes in the financial position of an issuer of debt securities or general economic conditions may impair the ability of the issuer to meet interest payments and repayments of principal. Accordingly, debt securities that may be held by the Company will also be subject to the inherent credit or default risks associated with the debt securities and there can be no assurance as to the levels of default and/or recovery that may be experienced by the Company with regard to such securities.
- To the extent that the Company invests in sub-investment grade debt and other securities the Company may realise a higher current yield than the yield offered by investment grade securities, but investment in such securities involves a greater volatility of price and a greater probability of default by the issuers of such securities with consequent loss of interest payments and repayments of principal. Sub-investment grade securities will have, in the judgement of a rating agency, uncertainties or risk exposures to adverse conditions, and are speculative with respect to an issuer's capacity to meet interest payments and repay principal in accordance with the terms of the obligation.

Cash and Cash-equivalent Investments

A proportion of the Company's portfolio may be held in cash or cash-equivalent investments from time to time. When assets are held in cash or cash-equivalent investments, they will be out of the market and will not benefit from positive stockmarket movements (but may give some protection against negative stockmarket movements).

Illiquid Securities

The Company may invest in securities that are not readily tradable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to volatility in the share price of the shares. Investors should not expect that the Company will necessarily be able to realise, within a period which they would otherwise regard as reasonable, its investments and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative share prices.

Derivatives

- The Company may invest in derivatives for efficient portfolio management purposes. There may not be a price correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investments which are the subject of the derivative, on the other hand, and accordingly, such instruments may not always achieve the intended effect under all or any market conditions. In addition, an active market may not exist for a particular derivative instrument at any particular time.
- The Company will be exposed to credit risk on the counterparties with which it trades in respect of derivative instruments. The Company will seek to transact only with major established counterparties but there can be no guarantee that counterparty defaults will not occur.

General

As the Company's portfolio is constructed without reference to the composition of any stockmarket index or benchmark, there is a risk that the portfolio will underperform by a significant amount certain regional benchmarks, such as the MSCI AC Asia Pacific (ex-Japan) Index, as no attempt is made to track their performance.

Stock Lending

Although it has not done so since its launch, the Company may enter into stock lending contracts which expose the Company to the risk that a counterparty may default in its obligations under such a contract, whether because of a dispute over the terms of the contract or because of a counterparty's liquidation. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement.

Borrowings

- Pursuant to the level of gearing set by the Board, the Company may borrow up to an amount equal to 25 per cent. of its NAV. Whilst the use of borrowings should generally enhance the total return on the Ordinary shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Ordinary shares. Accordingly, the use of borrowings by the Company may increase the volatility of the NAV of the Ordinary shares, and the share price of the Ordinary shares.
- Interest rate movements may affect the interest payable on any variable rate cash borrowings drawn down by the Company. A significant increase in interest rates could result in a substantial reduction in the Company's revenue profits available to fund dividend payments on the Ordinary shares.

Foreign Exchange

- The Company accounts for its activities, reports its results and the NAV per share and declares and pays dividends in sterling while its investments are made and realised in other currencies. Where the Company does not hedge its currency exposure, the movement of exchange rates between sterling and the other currencies in which the Company's investments are denominated or its borrowings are drawn down may have a material effect, unfavourable or favourable, on the returns otherwise experienced on the investments made by the Company and may affect the Company's ability to pay dividends. Accordingly, this foreign exchange risk may increase the volatility of the NAV and share price of the shares.
- Although the Investment Manager may seek to manage all or part of the Company's foreign exchange exposure, there is no assurance that this can be performed effectively. Where the Company does hedge all or part of its currency exposure, there is no guarantee that such arrangements will be successful in reducing exchange risks and such arrangements may result in the Company incurring additional costs.
- Movements in the foreign exchange rate between sterling and the currency applicable to a particular shareholder may have an impact upon that shareholder's returns in their own currency of account.

Taxation and Exchange Controls

- Any change in the Company's tax status, in tax treaty rates, in taxation legislation, the interpretation of taxation legislation or the tax treatment of dividends, interest or other investment income received by the Company could affect the value of the investments held by the Company, affect the Company's ability to provide returns to shareholders or alter the post-tax returns to shareholders.
- To maintain its non-UK tax resident status, the Company is required to be managed and controlled from outside the United Kingdom. The composition of the Company's Board of Directors, the place of residence of the individual members of the Board and the location in which the Board makes and executes its decisions will be important in determining and maintaining the non-UK tax residence status of the Company. In the event that the Board is regarded by HM Revenue & Customs as having made strategic decisions, or executed important documents, in the United Kingdom, the Company may lose its non-UK tax resident status, which could negatively affect the Company's financial condition, performance and prospects, affect the Company's ability to provide returns to shareholders or alter the post-tax returns to shareholders.
- The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to

reduce the capital value of the affected investments and the income received by the Company on affected investments.

Accounting Practices and Policies

- Any change in financial reporting standards or accounting practices could affect the reported value of the investments held by the Company, affect the Company's ability to provide returns to shareholders or alter the post-tax returns to shareholders.
- A proportion of the expenses of managing the Company, including the investment management fee and any financing costs, are charged to the Company's capital account. In the absence of capital growth in the Company's assets in excess of the aggregate value of such expenses charged to the capital account, this practice will result in a diminution in the Company's capital account and a corresponding reduction in the NAV per share. However, this practice will also, all other things being equal, result in the short term in an increased amount of net revenue being available for distribution to shareholders.

Reliance on Third-party Service Providers

- The Company has no employees and relies on the performance of third-party service providers to perform its executive functions. In particular, the Company is reliant on the Investment Manager, which has significant discretion as to the implementation of the Company's investment policy. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment without exercising due care and skill could have a material adverse effect on the Company's financial condition, performance and prospects and, accordingly, on returns to shareholders.
- The Company's third party service providers are themselves subject to operational risks, which can arise from inadequate or failed processes, systems or resources or from external factors affecting these. The information technology and other systems of such service providers, or their business processes and procedures on which the Company may depend, may not perform as expected, including recovery from unanticipated disruptions to their business. Any such inadequacies of failures could have a material adverse effect on the Company's financial condition, performance and prospects and, accordingly, on returns to shareholders.
- The termination of the Company's relationship with any third-party service provider (and, in particular, the Manager or the Investment Manager), or any delay in appointing a replacement for any such service provider, could materially disrupt the Company's business and could have a material adverse effect on the Company's financial condition, performance and prospects and, accordingly, on returns to shareholders.

Potential Conflicts of Interest

The Aberdeen Group may be involved in other investment activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently does, and may continue to, provide investment management, investment advice or other services in relation to a number of other companies, funds or accounts that may have similar investment objectives and/or policies, to that of the Company and may receive *ad valorem* and/or performance-related fees for doing so. As a result, the Investment Manager may have conflicts of interest in allocating investments among the Company and other clients and in effecting transactions between the Company and other clients. The Aberdeen Group may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Company.

Past Performance

The past performance of the Company is not, and should not be relied on as, a guide to the future performance of the Company.

Alternative Investment Fund Managers Directive

The European Commission published the Alternative Investment Fund Managers Directive on 1 July 2011 (the "AIFM Directive"). The AIFM Directive, which came into force on 21 July 2011, is due to be implemented through secondary legislation in the UK by 22 July 2013, and is likely to have a significant impact on the management of almost all investment funds which are not UCITS collective investment schemes. There is a continuing debate on the so called "third country" provisions which are not due to come into effect until 2015 at the earliest and may affect the Company as it is incorporated in Jersey which is not part of the EU. Although it is too early to be definitive as to the impact on the Company, it seems likely that there will be restrictions on the marketing of shares issued by non-EU domiciled funds to investors in the EU, which in turn may have a negative impact on marketing and liquidity generally. It is also likely there will be an increase, potentially a material increase, in the Company’s governance and administration expenses in complying with the AIFM Directive if the Company wishes to take advantage of the proposed marketing "passport" in order to market within the EU. The Board and the Company's advisers will continue to monitor the progress and likely implications of the AIFM Directive for the Company and, in particular, costs.

Foreign Account Tax Compliance Act

The applicability of the provisions of the US Government's Foreign Account Tax Compliance Act ("FATCA") is not yet fully known. Under FATCA, a withholding tax may be imposed on payments made to certain non-US financial institutions in connection with their US source investments, whether held directly or via another financial institution or financial intermediary. The withholding tax may be avoided if the financial institution in question complies with information gathering and disclosure requirements imposed under the FATCA legislation in relation to its US account holders (as defined in the FATCA regulations). It is expected that the Company will be classed as a financial institution to which FATCA will apply. The Government of Jersey has announced its intention to enter into an Intergovernmental Agreement (IGA) with the U.S. Internal Revenue Service (IRS), which will allow financial institutions established in Jersey to comply with FATCA without breaching local data privacy laws and should reduce the practical implementation of the FATCA provisions. However, a draft IGA has not yet been released. On the basis that the Company is required to comply with FATCA (either under the FATCA regulations or an IGA), the Company may be required to ultimately provide certain information to the U.S. IRS (which may or may not be transmitted via the Jersey tax authorities) about certain shareholders and their holdings with the Company in order to fully discharge its FATCA reporting obligations. In the event of any failure or inability to comply with FATCA, the Company may suffer a withholding tax at an effective rate of up to 30 per cent. on payments made in connection with any US-source investments held directly or indirectly by it.

Duration

The Company does not have a fixed life.

Share Dealing and ISA Status

Shares in Aberdeen Asian Income Fund Limited can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen savings scheme and are fully qualifying for inclusion within tax efficient ISA wrappers (see page 59).

Management Agreement

The Company has an agreement with Aberdeen Private Wealth Management Limited for the provision of management services, details of which are shown in note 5 to the financial statements. The Management Agreement provides for an investment management fee of 1.0 per cent. per annum of the Company's net assets, payable monthly in arrears. The Management Agreement also provides for a company secretarial and administration fee of £123,000 per annum, payable quarterly in arrears, which will be increased annually in line with any increases in RPI. The Management Agreement is terminable by either the Company or the Manager giving the other not less than six months' notice. The Directors review the terms of the Management Agreement on a regular basis and have confirmed that, due to the investment skills, experience and commitment of the Investment Manager, in their opinion the continuing appointment of Aberdeen Private Wealth Management Limited, on the terms agreed, is in the interests of shareholders as a whole.

Chairman's Statement

Peter Arthur
Chairman

Background and Overview

I am pleased to report that your Company performed well over the last year. With continuing low interest rates and ample liquidity, equities and fixed income securities in Asia and emerging markets benefited greatly as investors sought yield. Your Company's diluted net asset value ("NAV") total return was 28.5% for the year ended 31 December 2012, which compared very favourably to the 17.2% gain in the MSCI All Country Asia Pacific ex-Japan Index. On a total return basis, the share price gained 37.3% to 222.5p for the year. The premium over net asset value rose from 2.0% to 9.1%, and at the time of writing stands at approximately 5.0%. Dividends were increased by 5.9% to 7.15p.

The heavy exposure to Southeast Asia, in particular the holdings in Thailand, Malaysia and Singapore and consumer-related sectors contributed significantly to returns. The results reflect your Manager's conviction and commitment to investing in well-run companies with significant competitive advantages that are able to deliver decent dividends, backed by stable cash flows. A detailed analysis of the overall performance is contained within the Investment Manager's Review on page 11.

In the Half Yearly Report, I had touched on external risks for Asia, namely the European debt crisis and the fragile US recovery. A potential hard landing for China was also concerning. While these same worries persisted through the second half, there was a discernible improvement in risk appetite. Fears of a calamitous Eurozone break-up were almost singlehandedly allayed by European Central Bank president Draghi, who pledged to do whatever it takes to preserve the Euro. The US Federal Reserve launched QE3 and committed to near-zero interest rates for longer, while the housing sector started seeing some signs of life. But there was acrimonious political wrangling over budget cuts after president Obama's re-election.

In Asia, monetary policy easing gathered pace on the back of generally benign inflation. Leading indicators pointed to a slight manufacturing upturn. China's slowdown appeared to have hit a trough in the third quarter, while the political transition to the fifth generation of leaders, led by Xi Jinping, was relatively smooth. Elsewhere, Shinzo Abe became Japan's new prime minister, as his promises to end deflation and resuscitate the economy resonated with most voters, and buoyed domestic stocks to their best annual gains since 2005.

Dividends

Four quarterly interim dividends were declared over 2012. The first three dividends were paid at the rate of 1.55p totalling 4.65p (2011 – 4.5p) which, when added to the fourth interim dividend of 2.50p (2011 – 2.25p), represented an overall increase of 5.9% for the year to stand at 7.15p. Following the payment of the fourth interim dividend, the Company's revenue reserves were £6.58m (which represents approximately 4.35p per share).

In 2012, caution prevailed at the corporate level because of the uncertain global backdrop. Companies in Asia remained disciplined and maintained robust capital positions, while avoiding being overly leveraged. Earnings growth was resilient but unspectacular. Surplus cash was distributed through higher dividends, as well as special pay-outs in some instances. Dividends received from your Company's holdings in 2012 exceeded those of 2011, underscoring the strength of their balance sheets.

Looking ahead, your Company's holdings are in good shape financially. But in view of the operating environment, your Manager remains circumspect and expects sluggish earnings growth – in the single digits – for the coming year. Your Manager is also not anticipating any substantial increase in dividends, given that companies are understandably cautious and would want to retain cash to keep balance sheets liquid. While a number of your Company's holdings, including Malaysian brewery Guinness Anchor and Singapore engineering group Singapore Technologies Engineering, declared special dividends in 2012, your Manager expects the likelihood of such bumper payouts to be much reduced in the coming year. During the year special dividends totalling £783,000 were received and reflected in the revenue account.

Share Issuance and Gearing

During the year, there was strong demand for the Company's shares and over 9.5 million new Ordinary shares were issued at a premium to the prevailing NAV. Such issues enhance the NAV (albeit marginally) for existing shareholders.

By September 2012 it had become clear to the Board that the weight of demand exceeded the level of shares that could be issued within the annual 10% pre-emption authority provided by shareholders. Accordingly, on 22 October 2012 the Company published a Prospectus and Circular to shareholders outlining details of a proposed Placing and Offer for Subscription of C shares. Demand for the C shares was also significant and the overall size of the issue was increased to £60 million and following receipt of approval from shareholders at an Extraordinary General Meeting held in Jersey on 15 November 2012 60,000,000 C shares were issued on 16 November 2012. On 4 February 2013 the C shares were converted into 30,552,000 new Ordinary shares based on the ratio of 0.5092 new Ordinary shares for every one C share held.

Subsequent to the year end and following the conversion of the C shares, an additional 2.65 million Ordinary shares have been issued for cash. A further 2.6 million shares were issued following the exercise of Warrants to subscribe for Ordinary shares in May and October last year. There is a separate notice accompanying the Annual Report confirming that the Final Warrant subscription date will be 8 May 2013.

The Company has a £15 million senior secured multicurrency revolving bank facility with Scotia Bank and during the year the level of drawing under the facility was increased to £13.3 million (drawn in Hong Kong and US Dollars).

Outlook

The sprightly start to 2013 for financial markets underscores the extent to which confidence has been restored, but also highlights the worrying divergence between stimulus-driven support and underlying economic fundamentals. While Western policymakers could conceivably continue to provide such artificial support for some time to come, there is a cost to the rest of the world. Asia, for instance, is grappling with yield-seeking inflows that could result in damaging asset price bubbles. Central banks would have to balance monetary policy tightening, in the event of rising inflation, with other policy responses to liquidity attracted by rising interest rates. QE3 is also pushing up Asian currencies against the US dollar, with Japan's actions to devalue its yen and protect export competitiveness reigniting talk of currency wars. Meanwhile, the US recovery could be derailed by US$85 billion in spending cuts that kick in automatically in March. Elsewhere, elections in Italy and Germany add to the uncertainty in Europe, which is suffering from a deepening recession.

In Asia, political risks bear vigilance, in view of Japan and China's long-drawn territorial dispute, an unpredictable North Korea and looming polls in Malaysia. Social unrest could rise in China as a result of the widening income gap, albeit Beijing has announced measures to address this, such as raising the minimum wage and asking state-owned companies to give more back to government coffers. That said, the IMF expects developing Asia to lead the 3.5% growth in the global economy this year. This reflects the region's healthier fiscal, corporate and economic fundamentals versus the West. The growing importance of domestic demand as a growth driver will also help buffer the impact of subdued consumption in the US and Europe, although structural shifts will take some time to achieve. In a weak growth, low-yield environment, the case for investing in quality companies with decent dividends in Asia remains ever compelling.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 9.30 a.m. on Thursday 9 May 2013 at No.1 Seaton Place, St Helier, Jersey and your Board looks forward to meeting as many shareholders as possible. If you are unable to attend the AGM, I would encourage you to vote by returning your proxy (or letter of directions if you invest via the Aberdeen Plans) which is enclosed with the Annual Report and Accounts. If you intend to attend the AGM, I would also be grateful if you would tick the relevant box when voting.

I look forward to reporting to you again with the Half-Yearly Report to 30 June 2013, which will be issued to shareholders around the end of August 2013. Those shareholders who wish to keep up to date with developments between formal reports may wish to view the monthly factsheet at http://www.asian-income.co.uk/doc.nsf/Lit/FactsheetUKClosedAAIF.

Peter Arthur
Chairman
27 March 2013

Investment Manager's Review

Overview

Asian stockmarkets posted double-digit gains in 2012, even though their economic growth was lacklustre by historic standards. The rise in equity prices was a consequence of liquidity created by unprecedented central bank action as Western policymakers grew increasingly desperate in the face of sluggish global growth caused by the debt crisis.

In Asia, economies were not immune to the slowdown as global trade fell to its lowest level in five years. This spurred the need for government pump priming. While Singapore, Malaysia and Thailand were more vulnerable because of their open economies, Indonesia and the Philippines proved resilient because of their huge domestic base. Fortuitously, governments in Asia have ample reserves to embark on large infrastructure projects to compensate for faltering exports.

Performance Review

Against this backdrop, the Company's diluted net asset value total return grew 28.5% over the period and the share price posted a total return of 37.3%. This compares well with the MSCI AC Asia Pacific ex Japan Index's total return of 17.2%, as holdings in the portfolio were carefully selected for their cashflow-generative and high dividend-yielding attributes.

Among the stocks that contributed most to relative performance was Malaysia's Guinness Anchor. The company focused its efforts on domestic operations and consolidated its market leadership in the local brewery industry. Including special dividends, its full-year net yield was one of the highest in the industry, thanks to robust operating cash flows.

Elsewhere, Woolworths, one of Australia's largest supermarket and grocery-store chains, increased shareholders' return by spinning off its property assets into a real estate investment trust. Existing shareholders received an in-specie distribution. This streamlined the company's operations and allowed capital to be deployed efficiently.

In Thailand, media-related group BEC World was another outstanding performer. Its share price outpaced the local benchmark on the back of a recovery in advertising expenditure from the October 2011 floods and a more favourable environment for domestic consumption.

Government spending on infrastructure benefited several holdings, including Lafarge Malayan Cement and Thailand's Siam Cement. Both companies saw good run-ups in their share prices. Near-term demand is expected to remain high, ahead of major projects, such as the mass rapid transit system and Kuala Lumpur International Airport 2, as well as reconstruction works in Thailand. Another Thai holding, Electricity Generating, gained from increased levels of energy consumption in the aftermath of the floods.

In contrast, Australian insurer QBE Insurance performed poorly. The impact of unpredictable weather in the US was a key source of disappointment for the company in 2012. QBE was hurt, first by the drought, then by the hurricanes, in America. Although its share price took a beating after these natural disasters, we are still positive about QBE as it has a good history of generating shareholder returns.

Elsewhere, Japanese drugmaker Takeda Pharmaceutical's profits declined because of higher operating expenses and research and development costs. The drop in sales was due to patent expiry on mainstay products, but this was mitigated by growth in newer products. At the time of writing, the company has obtained approval for three new diabetes drugs and we continue to like Takeda because of its good track record in execution and implementation.

Portfolio Activity

During the review period, we increased our exposure to Japan. Significantly, for the first time in years, the Japanese stockmarket now offers decent yields. We are also finding more companies there which meet our quality and value criteria. From a stock-picker's perspective, Japan has enviable strengths: a high-quality workforce, technical expertise and a broad market with numerous first-rate companies, many of which excel in what they do in the global arena. It is, thus, a country particularly suited to our investment process – we are long-term investors and we do in-depth research on individual companies.

Against this backdrop, we introduced Canon, a global market leader for printers, copiers and digital cameras. Continuous focus on profitability and cost control has made it one of the best managed companies in Japan. Canon has a net-cash balance sheet and solid R&D capabilities. It has benefited from robust digital camera sales, particularly in the high-end segment.

We also introduced Ascendas Hospitality Trust, a real estate investment trust with hospitality assets diversified across the region. As part of the Ascendas Group, it has an experienced management team, as well as global hotel giant Accor Group as its preferred partner in the region. Another recent addition was Far East Hospitality Trust, which holds a decent portfolio of good-yielding assets, along with longer-term potential for further asset enhancement and injection opportunities.

Against these, we sold Singapore's SBS Transit, given its narrowing margins resulting from a higher cost base. We also divested New Zealand's Chorus, a spin-out from our holding of New Zealand Telecom.

C Share Issue

In view of your Company's good performance, there was significant demand for its Ordinary shares, as a result of which in October 2012, a new class of C Shares was issued. At the time of writing, the new money has been invested, and the C Shares have been converted into new Ordinary shares.

From the proceeds of the C Shares, we initiated positions in DBS and Okinawa Cellular and invested the balance in existing portfolio holdings. DBS is a well-capitalised regional bank with a solid deposit franchise in Singapore, which is benefiting from its ongoing restructuring efforts. Japanese mobile phone-operator Okinawa Cellular is riding on the growing smartphone penetration in the prefecture, underpinned by a net-cash balance sheet. Both companies provide a decent dividend yield of about 4%.

Outlook

Looking ahead, Asian stockmarkets will still be subject to the external factors weighing on the global economy. Expectations are for a muted US recovery. The fiscal cliff may have been avoided by delaying some tax increases and cuts in spending, but this will only postpone the inevitable impact on the economy. Europe could remain mired in recession as it continues to muddle through the fiscal crisis that is now into the fourth year. As for Asia, growth prospects may be slightly better in 2013 than in the previous year. This would be supported by hopes for a Chinese expansion on the back of the new leadership, intent on narrowing the wage gap, while pursuing economic reform.

Ultimately, though, it is the quality of the holdings within the portfolio that makes the difference, no matter the macroeconomic circumstance. We are confident that the holdings in your portfolio are likely to continue delivering decent returns over the longer term.

Aberdeen Asset Management Asia Limited
27 March 2013

Results

Financial Highlights

	31 December 2012	31 December 2011	% change
Total assets (see definition on page 61)	£386,232,000	£242,946,000	+59.0
Total assets C share	£61,677,000	n/a	
Total equity shareholders' funds (net assets)	£311,287,000	£231,946,000	+34.2
Share price Ordinary share (mid market)	222.50p	168.13p	+32.3
Share price C Share (mid market)	109.75p	n/a	
Net asset value per Ordinary share (basic)	205.90p	166.77p	+23.5
Net asset value per Ordinary share (diluted)	203.92p	164.78p	+23.8
Net asset value per C share (basic)	102.80p	n/a	
Premium to diluted net asset value per Ordinary share	9.1%	2.0%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis)	536.42	472.88	+13.4
Net gearing[A]	2.8%	2.2%	
Dividend and earnings			
Total return per Ordinary share[B]	46.87p	3.36p	
Total return per C share[C]	4.34p	n/a	
Revenue return per Ordinary share[B]	8.31p	7.44p	+11.7
Revenue return per C share[C]	0.32p	n/a	
Dividends per Ordinary share[D]	7.15p	6.75p	+5.9
Dividend cover per Ordinary share	1.16	1.10	
Revenue reserves[E]	£6.58m	£5.03m	
Ongoing charges[F]			
Ongoing charges Ordinary share	1.27%	1.37%	
Ongoing charges C share	0.13%	n/a	

[A] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition on page 61).
[B] Measures the relevant earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).
[C] Measures the relevant earnings for the year divided by the weighted average number of C shares in issue (see Statement of Comprehensive Income).
[D] The figure for dividends reflects the years in which they were earned (see note 8 on page 44).
[E] The revenue reserves figure takes account of the fourth interim dividend amounting to £3,780,000 (2011 – fourth interim amounting to £3,138,000).
[F] Ongoing charges has been calculated in accordance with guidance issued by the AIC as the total of investment management fees (excluding performance fees) and administrative expenses divided by the average cum income net asset value throughout the year. The figure for 2011 has been restated to reflect this guidance.

Performance (total return)

	1 year % return	3 year % return	5 year % return	Since launch[A] % return
Share price (Ordinary)	+37.3	+84.4	+150.2	+184.7
Net asset value (diluted)	+28.5	+68.5	+105.1	+165.9
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	+17.2	+22.1	+26.4	+104.3

All figures are for total return and assume re-investment of net dividends.
[A] Launch being 20 December 2005.

Dividends[A]

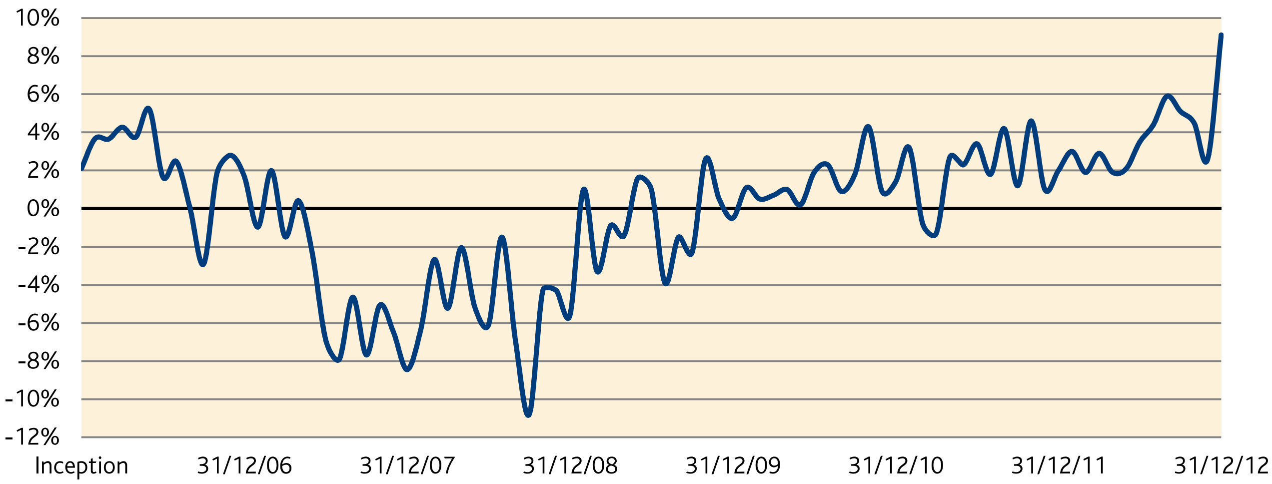
	Rate per share	xd date	Record date	Payment date
First interim 2012	1.55p	25 April 2012	27 April 2012	18 May 2012
Second interim 2012	1.55p	18 July 2012	20 July 2012	24 August 2012
Third interim 2012	1.55p	24 October 2012	26 October 2012	16 November 2012
Fourth interim 2012	2.50p	16 January 2013	18 January 2013	18 February 2013
2012	**7.15p**			
First interim 2011	1.50p	27 April 2011	03 May 2011	19 May 2011
Second interim 2011	1.50p	20 July 2011	22 July 2011	25 August 2011
Third interim 2011	1.50p	26 October 2011	28 October 2011	18 November 2011
Fourth interim 2011	2.25p	18 January 2012	20 January 2012	17 February 2012
2011	**6.75p**			

[A] The dividends above relate to Ordinary shares only. No C share dividends have been paid.

Performance

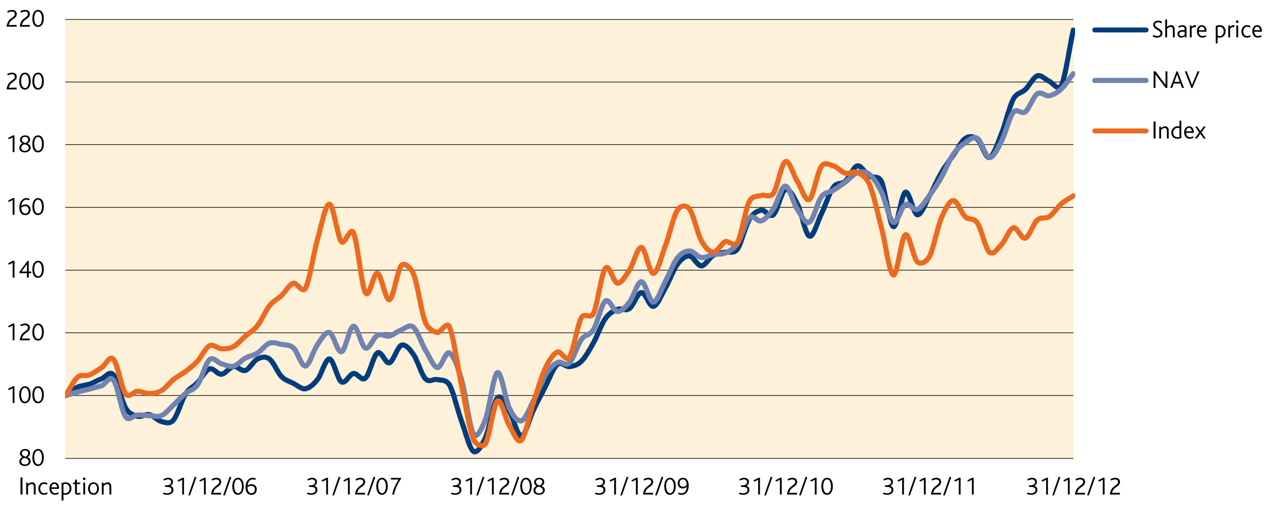
Ordinary Share Price Premium/(Discount) to Ordinary Diluted NAV

Launch (20 December 2005) to 31 December 2012



Capital Return of Ordinary Share NAV and Ordinary Share Price vs MSCI AC Asia Pac. Free ex Jap. Index

Launch (20 December 2005) to 31 December 2012 (rebased to 100 at 20/12/05)



Financial Record

Year to 31 December	2006[A]	2007	2008	2009	2010	2011	2012
Total revenue (£'000)	7,028	7,772	7,965	7,680	10,285	11,878	15,052
Per Ordinary share (p)							
Net revenue return	5.08	5.45	5.69	5.54	7.31	7.44	8.31
Total return	13.45	15.72	(10.80)	37.47	43.52	3.36	46.87
Net dividends payable	4.50	4.75	4.75	5.00	6.00	6.75	7.15
Per C share (p)							
Net revenue return	n/a	n/a	n/a	n/a	n/a	n/a	0.32
Total return	n/a	n/a	n/a	n/a	n/a	n/a	4.34
Net asset value per Ordinary share (p)							
Basic	112.15	123.48	108.01	140.63	176.35	166.77	205.90
Diluted	112.15	122.90	108.01	137.19	167.85	164.78	203.92
Net asset value per C share (p)							
Basic	n/a	n/a	n/a	n/a	n/a	n/a	102.80
Equity shareholders' funds (£'000)	123,369	134,841	117,129	154,398	208,154	231,946	311,287

[A] For the period 20 December 2005 (launch date) to 31 December 2006.

Investment Portfolio – Ten Largest Investments

As at 31 December 2012

Company	Sector	Country of activity	Valuation 2012 £'000	Total assets %[B]	Valuation 2011 £'000[C]
HSBC Holdings One of the world's largest banking and financial services institutions. Its international network comprises more than 5,000 offices in 80 countries and territories, operating in the Asia Pacific region, Europe, the Americas, the Middle East and Africa. The diversity of HSBC's business and exposure to faster growing regions of the world should enable it to deliver superior long-term growth.	Commercial Banks	Hong Kong	14,031	3.6	6,597
Taiwan Semiconductor The world's largest dedicated semiconductor foundry, it provides wafer manufacturing, wafer probing, assembly and testing, mask production and design services.	Semiconductors & Semiconductor Equipment	Taiwan	12,887	3.3	11,692
Oversea-Chinese Banking Corporation A well-managed Singapore bank with a strong capital base and impressive cost-to-income ratio. It has also embarked on a selective regional expansion.	Commercial Banks	Singapore	11,716	3.0	8,357
Canon A world leader in imaging products, printers and cameras and one of the best-performing companies in Japan. Canon has benefited from strong digital camera sales, particularly in the high-end SLR segment. Its prospects are strong, and valuations attractive.	Office Electronics	Japan	11,526	3.0	–
Guinness Anchor The market leader in Malaysia's beer and stout industry, with brand names including Tiger, Guinness and Heineken.	Beverages	Malaysia	11,474	3.0	10,851
Singapore Telecommunications A regional telecommunications company, with a combined mobile subscriber base of more than 285 million customers from its own operations in Singapore and Australia, and regional associates in India, Philippines, Thailand, Indonesia, Pakistan and Bangladesh.	Diversified Telecommunication Services	Singapore	11,302	2.9	5,582
Venture Corp Provides contract manufacturing services to electronics companies. The company's major segments include Printing & Imaging and Networking & Communications and it has been increasing its revenue contribution from Original Design Manufacturing.	Electronic Equipment, Instruments & Components	Singapore	11,275	2.9	6,615
Taiwan Mobile A leading telecommunications company in Taiwan offering mobile, fixed-line, cable TV and broadband services, it has a prudent management and pays a good dividend.	Wireless Telecommunication Services	Taiwan	11,159	2.9	9,969
BHP Billiton The world's largest diversified resources group with a global portfolio of high quality assets. Core activities comprise production and distribution of minerals, mineral products and petroleum.	Metals & Mining	Australia[D]	10,988	2.9	7,059
British American Tobacco Malaysia Manufacturer & marketer of tobacco products in Malaysia through BAT's international brands such as Dunhill and Lucky Strike.	Tobacco	Malaysia	10,919	2.8	8,865
Top ten investments			**117,277**	**30.3**	

Investment Portfolio – Other Investments

As at 31 December 2012

Company	Sector	Country	Valuation 2012 £'000	Total assets %[B]	Valuation 2011 £'000[C]
Tesco Lotus Retail Growth	Real Estate Investment Trusts	Thailand	10,699	2.8	–
Swire Pacific (Class A and Class B)	Real Estate Management & Development	Hong Kong	9,833	2.6	7,876
Singapore Technologies Engineering	Aerospace & Defence	Singapore	9,805	2.5	5,287
China Mobile	Wireless Telecommunication Services	China	9,635	2.5	6,410
Woolworths	Food & Staples Retailing	Australia	9,612	2.5	4,702
Electricity Generating	Independent Power Producers & Energy Traders	Thailand	9,566	2.5	–
SP Ausnet	Electric Utilities	Australia	9,535	2.5	6,449
Telstra	Diversified Telecommunication Services	Australia	9,468	2.5	7,469
QBE Insurance Group	Insurance	Australia	9,410	2.5	9,315
United Overseas Bank	Commercial Banks	Singapore	9,378	2.4	7,123
Top twenty investments			**214,218**	**55.6**	
Singapore Post	Air Freight & Logistics	Singapore	9,158	2.4	4,167
BEC World	Media	Thailand	9,018	2.3	3,879
Yanlord Land Group	Real Estate Management & Development (Corporate Bond)	China	8,728	2.2	–
Siam Cement	Construction Materials	Thailand	8,425	2.2	5,575
Giordano International	Specialty Retail	Hong Kong	8,114	2.1	4,983
Keppel Corp	Industrial Conglomerates	Singapore	7,860	2.0	2,077
Commonwealth Bank of Australia	Commercial Banks	Australia	7,624	2.0	6,007
Australia & New Zealand Bank Group	Commercial Banks	Australia	7,553	1.9	5,485
CDL Hospitality Trust	Real Estate Investment Trusts	Singapore	7,267	1.9	–
Takeda Pharmaceutical	Pharmaceuticals	Japan	7,131	1.8	5,637
Top thirty investments			**295,096**	**76.4**	
Resorttrust	Hotels, Restaurants & Leisure	Japan	6,633	1.7	–
Advanced Information Services	Wireless Telecommunication Services	Thailand	6,305	1.7	6,282
Pos Malaysia	Air Freight & Logistics	Malaysia	6,301	1.6	2,054
PetroChina	Oil, Gas & Consumable Fuels	China	6,078	1.6	5,608
Li & Fung	Distributors	Hong Kong	5,972	1.6	–
Westfield Group	Real Estate Investment Trusts	Australia	5,885	1.5	2,576
Ascendas Hospitality Trust	Real Estate Investment Trusts	Singapore	5,639	1.5	–
DBS Group	Commercial Banks	Singapore	5,598	1.4	–
Telecom Corp of New Zealand (Australia Listing)	Diversified Telecommunication Services	New Zealand	5,596	1.4	2,801
Far East Hospitality Trust	Real Estate Investment Trusts	Singapore	5,485	1.4	–
Top forty investments			**354,588**	**91.8**	

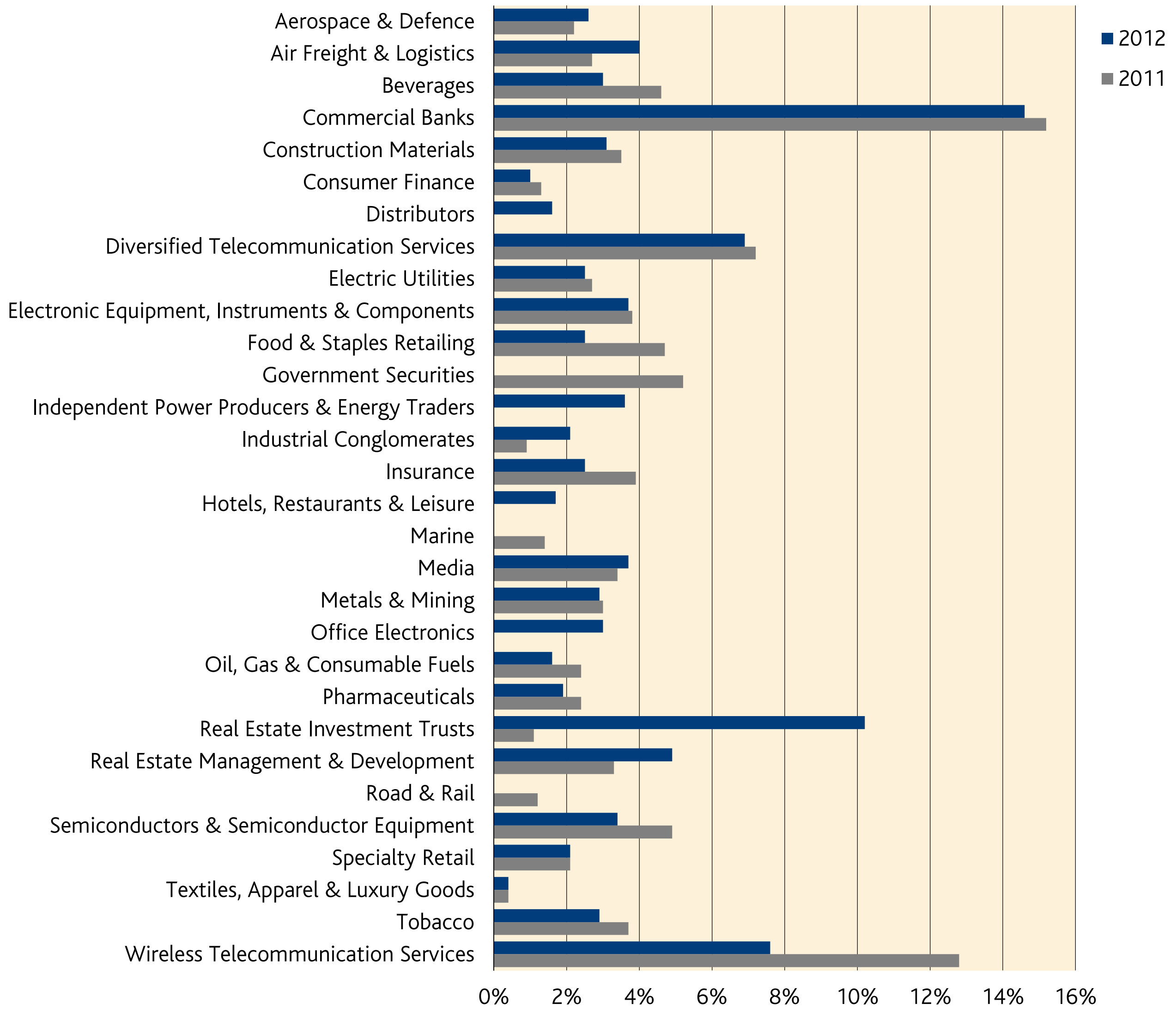
Company	Sector	Country	Valuation 2012 £'000	Total assets %[B]	Valuation 2011 £'000[C]
Singapore Press Holdings	Media	Singapore	5,365	1.4	4,267
Ratchaburi Electricity	Independent Power Producers & Energy Traders	Thailand	4,086	1.1	–
Hong Leong Finance	Consumer Finance	Singapore	3,896	1.0	3,184
Westfield Retail Trust	Real Estate Investment Trusts	Australia	3,845	1.0	–
Lafarge Malayan Cement	Construction Materials	Malaysia	3,284	0.9	2,466
Hana Microelectronics	Electronic Equipment, Instruments & Components	Thailand	2,889	0.7	2,428
Okinawa Cellular Telephone	Wireless Telecommunication Services	Japan	1,968	0.5	–
Kingmaker Footwear	Textiles, Apparel & Luxury Goods	Hong Kong	898	0.2	862
Texwinca Holdings	Textiles, Apparel & Luxury Goods	Hong Kong	788	0.2	–
Shopping Centres Australasia	Real Estate Investment Trusts	Australia	98	–	–
Total value of investments			**381,705**	**98.8**	
Net current assets[A]			**4,527**	**1.2**	
Total assets[B]			**386,232**	**100.0**	

[A] Excluding bank loans of £13,268,000 and C shares of £61,677,000.
[B] See definition on page 61.
[C] Purchases and/or sales effected during the year will result in 2011 and 2012 values not being directly comparable.
[D] Incorporated in and listing held in United Kingdom.

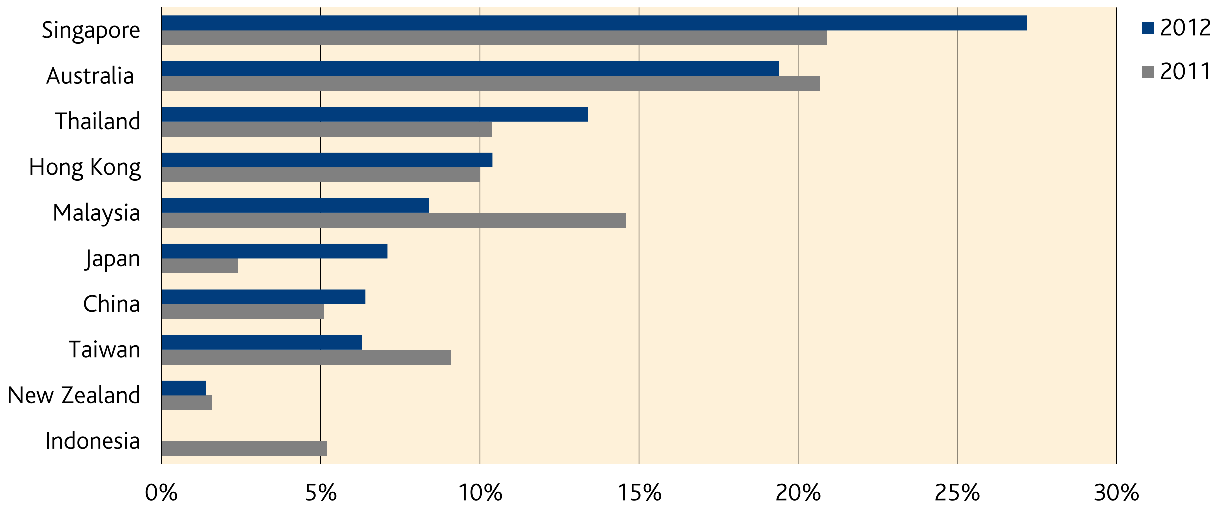
Sector/Geographical Analysis

As at 31 December 2012

Sector Breakdown



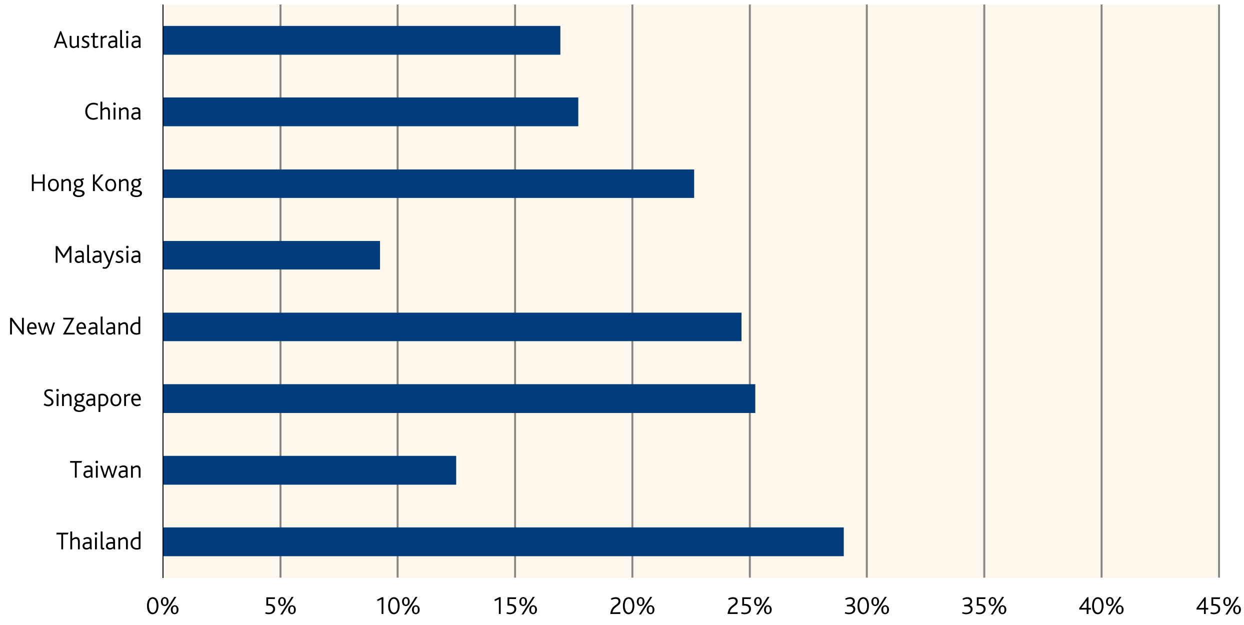
Geographic Breakdown



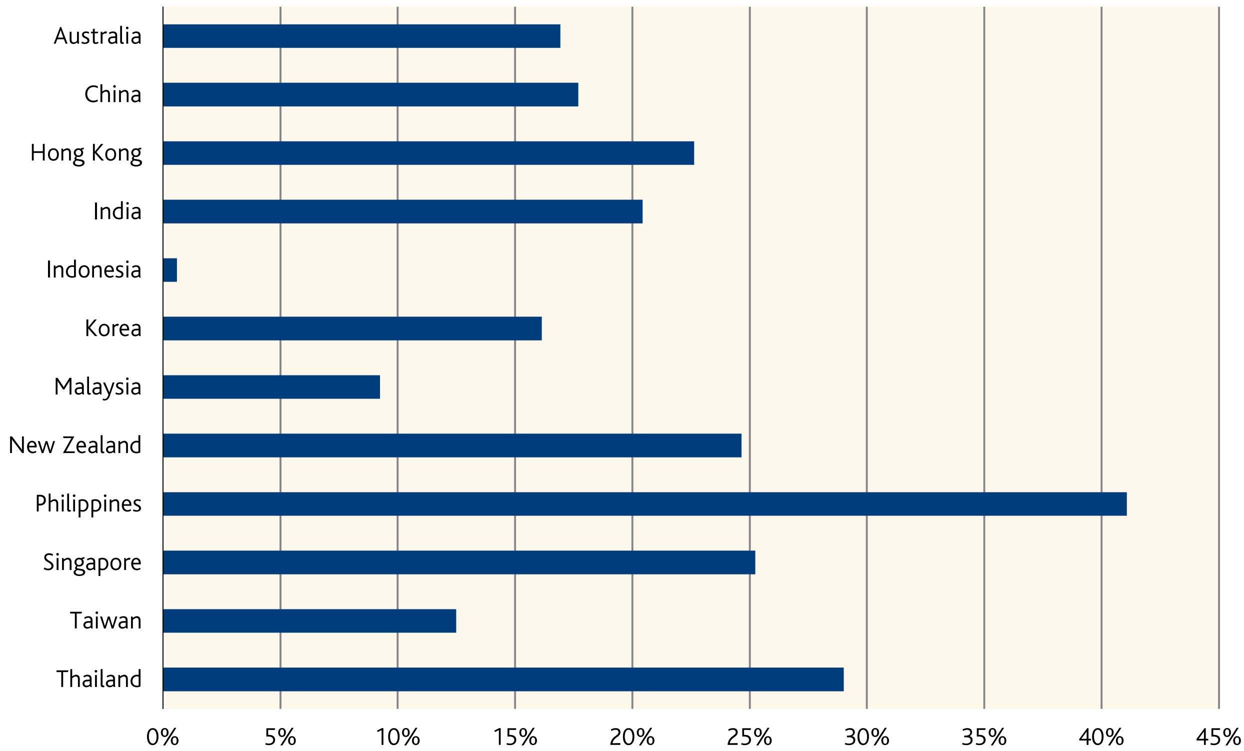
Currency/Market Performance

Year to 31 December 2012

Currency Returns (£)



MSCI Country Index Total Returns (£)



Information About the Investment Manager

Aberdeen Asian Income Fund Limited

The investment management of the Company has been delegated by Aberdeen Private Wealth Management Limited to Aberdeen Asset Management Asia Limited ("AAM Asia"). AAM Asia is based in Singapore and is a wholly-owned subsidiary and the Asia Pacific headquarters of Aberdeen Asset Management PLC (the "Aberdeen Group"), a publicly-quoted company on the London Exchange.

Worldwide, the Aberdeen Group manages a combined £193.4 billion (as at 31 December 2012) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

AAM Asia have been the Aberdeen Group's principal managers of Asia-Pacific assets since 1992, and had over 400 staff in the region at 31 December 2012. Total funds in the region, which are also managed from Sydney, Kuala Lumpur, Hong Kong and Bangkok, are over £70.0 billion as at 31 December 2012.

The Aberdeen Group has its headquarters in Aberdeen with principal offices in Bangkok, Edinburgh, Hong Kong, Kuala Lumpur, Jersey, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo.

The Aberdeen Group manages over 43 investment companies and other closed-ended funds representing £9.5 billion under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

The Investment Team Senior Managers

Hugh Young
Managing Director
BA in Politics from Exeter University. Started investment career in 1980. In charge of AAM Asia's Far East funds since 1985.

Chou Chong
Investment Director
Masters in accounting and finance from the London School of Economics. Joined AAM Asia in 1994 and was investment director in Australia followed by head of the pan-European desk in the UK before returning to Singapore in 2008

Flavia Cheong
Investment Director
Masters in Economics from University of Auckland. Previously with Investment Company of the People's Republic of China and Development Bank of Singapore. Started investment career in 1987. Joined AAM Asia in August 1996.

Chris Wong
Senior Investment Manager
BA in accounting and finance from Heriot Watt University. Joined AAM Asia in 2001 having previously been an associate director at Andersen Corporate Finance.

Adrian Lim
Senior Investment Manager
Chartered Financial Analyst, B.Acc from Nanyang Technological University (Singapore). Joined AAM Asia in 2000. Previously he was an associate director at Arthur Andersen advising on mergers & acquisitions in South East Asia.

Andrew Gillan
Senior Investment Manager
MA Joint Honours in French and European History from University of Edinburgh. Joined the Aberdeen Group in September 2000 and transferred to Aberdeen Asia in November 2001.

The Investment Process

Investment Philosophy

The Investment Manager's investment process is robust and characterised by its discipline, consistency and independence. The Investment Manager is not benchmark-driven and, accordingly, its fund managers do not invest in stocks that fail to meet its investment criteria.

The Investment Manager believes that markets are inefficient and that companies may not be priced correctly. By doing all its own research and undertaking substantial due diligence before initiating any investment, the Investment Manager's fund management team aims to identify good quality companies that are trading too cheaply, defined in terms of company fundamentals that, in the Investment Manager's opinion, drive share prices over the long term. The Investment Manager therefore manages its portfolios actively and little attention is paid to benchmarks at the portfolio construction level. Companies are held, moreover, for the long term, resulting in the turnover in the Investment Manager's portfolios being relatively low.

At the heart of the Investment Manager's approach is a disciplined investment process, with stock selection being a major source of added value. It estimates a company's worth in two stages, quality then price. Quality is defined by reference to management, business focus, the balance sheet and corporate governance. Price is calculated by reference to key financial ratios, the market, the peer group and business prospects.

Top-down investment factors are secondary in the Investment Manager's portfolio construction, with diversification rather than formal controls guiding stock, sector and country weightings. Little regard is paid to market capitalisation, other than to ensure liquidity. The Investment Manager's portfolios are generally conservatively run, with an emphasis on traditional buy-and-hold. However, the Investment Manager takes opportunities offered by what it sees as anomalous price movements within stockmarkets to either top up or top slice positions, which typically accounts for the bulk of the activity in the portfolios. Accordingly, turnover of positions in the Investment Manager's portfolios is low.

The Investment Manager will not invest in a company without first having met its management team. Having invested in a company, the Investment Manager typically meets the management team twice a year. Over the years, the Investment Manager's fund managers have visited many thousands of companies, and more than 1,000 meetings are held annually with companies' management teams.

Portfolios are managed by the Investment Manager on a team basis, with individual fund managers doing their own research and analysis. Each asset class has a model portfolio that contains the team's best ideas for that asset class and forms the basis for constructing individual portfolios focused on that asset class.

Risk Controls

Aberdeen seeks to minimise risk by its in depth research. Divergence from an index is not seen as risk – the Manager views investment in poorly run expensive companies that are not fully understood as risk. In fact where risk parameters are expressed in index relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides the Manager's main control.

Aberdeen's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool

Regional Teams

Your Board of Directors

The Directors, all of whom are non-executive, and the majority of whom are independent of the Manager, supervise the management of Aberdeen Asian Income Fund Limited and represent the interests of shareholders.

Peter Arthur

Status: Independent Non-Executive Director and Chairman
Age: 56
Length of service: 7 years, appointed a Director on 10 November 2005
Last re-elected to the Board: 12 May 2011
Experience: Qualified as a solicitor and chartered company secretary and was for five years an executive director of ISIS Asset Management plc (until its acquisition of F&C Asset Management Limited in October 2004) where most recently he was managing director with responsibility for the group's investment trust and institutional businesses. Prior to this, he was chief legal counsel, Europe for Franklin Templeton Global Investors Ltd. He had previously served 14 years with Edinburgh Fund Managers plc, latterly as joint managing director. He is a deputy chairman of the Association of Investment Companies (AIC).
Committee membership: Management Engagement Committee (Chairman) and Nomination Committee (Chairman)
Remuneration: £30,000 per annum
All other public company directorships: director of Proven Health VCT plc
Employment by the Manager or AAM Asia: None
Other connections with Company or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 37,220 Ordinary shares

Andrey Berzins

Status: Independent Non-Executive Director and Audit Committee Chairman
Age: 53
Length of service: 7 years, appointed a Director on 10 November 2005
Last re-elected to the Board: 16 May 2012
Experience: Qualified as a chartered accountant in England, and worked for KPMG in Hong Kong. In 1989 he joined the Suez Group's Asian private equity division, becoming a Managing Director in 2002. He has been resident in Asia since 1984 and a Singapore resident since 1996. Over the past 20+ years he has been involved in numerous Asian private equity transactions covering a variety of industries and countries. He also holds several directorships of private equity-backed companies.
Committee membership: Audit Committee (Chairman), Management Engagement Committee and Nomination Committee
Remuneration: £24,000 per annum
All other public company directorships: None
Employment by the Manager or AAM Asia: None
Other connections with Company or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 55,000 Ordinary shares

Duncan Baxter

Status: Senior Independent Non-Executive Director
Age: 61
Length of service: 7 years, appointed a Director on 10 November 2005
Last re-elected to the Board: 12 May 2011
Experience: A retired senior banker with 25 years' experience of international banking, latterly as managing director of Swiss Bank Corporation in Jersey. He is a Jersey resident and holds several non-executive directorships.
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £22,000 per annum
All other public company directorships: Highland Gold Mining Limited, Alternative Investment Strategies Ltd and Evraz Plc
Employment by the Manager or AAM Asia: None
Other connections with Company or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 25,000 Ordinary shares

Charles Clarke

Status: Independent Non-Executive Director
Age: 58
Length of service: 1 year, appointed a Director on 29 March 2012
Last re-elected to the Board: 16 May 2012
Experience Is a Jersey residentially-qualified graduate chartered accountant and former senior partner of KPMG in the Channel Islands who has previously worked for KPMG in Kuala Lumpur. Charles now has a portfolio of independent NED appointments and runs an offshore corporate governance consultancy.
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £21,000 per annum
All other public company directorships: Phoenix Group Holdings where he is a member of the audit and investment committees.
Employment by the Manager or AAM Asia: None
Other connections with Company or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 10,750 Ordinary shares

Ana Armstrong

Status: Independent Non-Executive Director
Age: 40
Length of service: 7 years, appointed a Director on 11 November 2005
Last re-elected to the Board: 13 May 2010
Experience: Is joint managing partner and heads portfolio strategy and construction at Armstrong Investment Managers. Previously co-head of Insight Investment's Multi-Asset group from November 2003 to April 2009 having previously worked at UBS Wealth Management as Director & Head of Portfolio Construction and Fischer Francis as a fixed income and futures trader. Ana holds a PhD in Quantitative Economics and an MBA in Finance from Imperial College, London.
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £21,000 per annum
All other public company directorships: None
Employment by the Manager or AAM Asia: None
Other connections with Company or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 4,034 Ordinary shares

Hugh Young

Status: Non-Executive Director
Age: 55
Length of service: 7 years, appointed a Director on 11 November 2005
Last re-elected to the Board: 16 May 2012
Experience: Is a resident of Singapore and was an investment manager with Fidelity International and MGM Assurance prior to joining what is now Aberdeen Asset Managers Limited in December 1985. He is a director of Aberdeen Asset Management PLC and Managing Director of Aberdeen Asset Management Asia Limited and responsible for all the Aberdeen Group's investments in Asia.
Committee membership: Nomination Committee
Remuneration: £21,000 per annum
All other public company directorships: Aberdeen Asset Management PLC, Aberdeen New Dawn Investment Trust PLC, Aberdeen New Thai Investment Trust PLC, Aberdeen Australia Equity Fund Inc., Aberdeen Asia-Pacific Income Investment Company Limited, Aberdeen Asian Smaller Companies Investment Trust PLC (Alternate) and The India Fund Inc.
Employment by the Manager or AAM Asia: None, other than as stated above
Other connections with Company or manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 27,500 Ordinary shares

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 31 December 2012.

Business Review

A review of the Company's activities is given in the Corporate Summary on pages 2 to 8, the Chairman's Statement on pages 9 and 10 and the Investment Manager's Review on pages 11 and 12. This includes a review of the business of the Company and its principal activities, likely future developments of the business, dividends declared and details of the issue of shares during the year by the Company. The principal risks associated with the Company are detailed in the Corporate Summary on pages 3 to 8 and in note 16 to the financial statements. The Key Performance Indicators for the Company including NAV performance, share price performance and the performance of the MSCI AC Asia Pacific (ex Japan) Index are detailed on page 13.

The current Directors, Messrs P Arthur, D Baxter, A Berzins, C Clarke (appointed on 29 March 2012), H Young and Dr A Armstrong together with Mr M Chambers (retired on 16 May 2012) were the only Directors in office during the year.

The Company does not make political donations or expenditures, has not made any donations for charitable purposes during the year and in common with most investment companies, the Company has no employees. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Results and Dividends

Details of the Company's results and dividends are shown on page 13 and in note 8 to the Financial Statements. Interim dividends were paid on a quarterly basis in May, August, November 2012 and February 2013. The Board believes that it is preferable for shareholders to receive regular interim dividend payments on a quarterly basis and accordingly no final dividend is declared and shareholders are not required to wait until approval is given at the AGM for any payments. Dividends are paid to the extent that they are covered by the income received from the Company's underlying investments. As at 31 December 2012 the Company's revenue reserves (adjusted for the payment of the fourth interim dividend) amounted to £6.58m (approximately 4.35p per share).

Principal Activity

The business of the Company is that of an investment company investing in the Asia Pacific region. The objective of the Company is set out on page 2 of this Report.

Status

The Company is registered with limited liability in Jersey as a closed-end investment company under the Companies (Jersey) Law 1991 with registered number 91671. In addition, the Company constitutes and is regulated as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. The Ordinary shares are admitted to the Official List in the premium segment and are traded on the London Stock Exchange's Main Market.

The Company is a member of the Association of Investment Companies ("AIC").

The Company intends to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account ('ISA') and it is the Directors' intention that the Company should continue to be a qualifying trust.

Issue of C Shares

The Company published a Prospectus on 22 October 2012 setting out the terms of a placing and offer for subscription of up to 50,000,000 C shares at an issue price of 100p per C share (the "Prospectus"). On 12 November 2012 the Company announced that commitments to apply for 43,809,271 C shares pursuant to the Placing and applications to subscribe for 16,190,729 C shares pursuant to the Public Offer had been received. Accordingly, the Issue was over-subscribed. As stated in the Prospectus, the Directors reserved the right to increase the number of C shares available pursuant to the Issue and in light of the substantial demand through the Public Offer, including a large number of new private investors in the Company, and following consultation with a number of existing and new institutional investors, the Board decided to increase the maximum number of C shares available for issue to 60,000,000. Dealings in the C shares on the Main Market commenced on Friday, 16 November 2012.

On 23 January 2013 the Company announced that the net asset values attributable to the Ordinary shares and the C shares as at the Calculation Date of 11 January 2013, were 206.2051361p per share and 105.0082143p per share respectively. The NAVs were calculated including income and after providing for, in the case of the Ordinary shares, the fourth interim dividend that was declared on 10 January 2013 and payable to holders of Ordinary shares on the register at the close of business on 18 January 2013. Accordingly, the Conversion Ratio, as calculated in accordance with the Company's prospectus dated 22 October 2012 was 0.5092 Ordinary shares for every one C share held as at close on the conversion record date of 1 February 2013. On the basis of the Conversion Ratio, a holder of 1,000 C shares received 509 Ordinary shares ("new shares") upon Conversion. Entitlements to new Shares were rounded down to the nearest whole share and all fractional entitlements were aggregated and sold in the market for the benefit of the Company. The new shares arising on Conversion ranked *pari passu* with, and have the same rights as, the Ordinary shares already in issue, including all dividends declared in respect of the Ordinary shares after the Calculation Date. On the basis of the Conversion Ratio, 30,552,000 new shares were created and admitted to the premium segment of the Official List and admitted to trading on the Main Market London Stock Exchange on 4 February 2013. On that date the C shares were permanently removed from trading on the London Stock Exchange.

Share Capital

As at 31 December 2012 there were 151,182,346 Ordinary shares, 3,574,043 Warrants and 60,000,000 C shares in issue. During the year the Company issued a total of 9,517,388 new Ordinary shares for cash at a premium to the prevailing NAV at the time of issue. Subsequent to the year end a further 2.65 million new Ordinary shares were issued for cash as well as the 30,552,000 new Ordinary shares that were issued to the converting C shareholders. In May and October warrantholders elected to exercise a total of 2,581,087 Warrants resulting in the issue during the year of 2,581,087 new Ordinary shares of no par value.

Directors

Details of the current Directors of the Company are shown on pages 22 and 23. Mr Chambers retired from the Board following the AGM on 16 May 2012.

In accordance with the Articles of Association Dr Armstrong and Mr Young will retire by rotation at the Annual General Meeting and offer themselves for re-election. The Board considers that there is a balance of skills and experience within the Board relevant to the leadership and direction of the Company and that all Directors contribute effectively. Mr H Young is managing director of AAM Asia and, therefore, is not an independent Director for the purposes of the Listing Rules. Accordingly, he is subject to annual re-election by shareholders as required by the Listing Rules.

The Directors and their beneficial interests in the share capital of the Company as at 31 December 2012 were as follows:

	31 December 2012 Ordinary shares	Warrants	1 January 2012* Ordinary shares	Warrants
P Arthur	36,464	-	31,835	2,500
D Baxter	25,000	-	25,000	-
A Berzins	55,000	-	55,000	-
M Chambers**	-	-	5,500	-
C Clarke***	10,750	-	-	-
A Armstrong	4,034	-	4,034	-
H Young	27,500	-	27,500	-

* or subsequent date of appointment
** M Chambers retired on 16 May 2012
*** C Clarke was appointed on 29 March 2012

Subsequent to the year end, Mr P Arthur's beneficial holding increased to 37,220 Ordinary shares following purchases of 224 Ordinary shares, 99 Ordinary shares, 219 Ordinary shares and 214 Ordinary shares on 22 January 2013, 19 and 22 February 2013 and 22 March 2013 respectively. The other Directors' share interests were unchanged at 27 March 2013, being the nearest practicable date prior to the signing of this Report.

No Director has a service contract with the Company.

The Directors' interests in contractual arrangements with the Company are as shown in note 18 to the financial statements. No other Directors were interested in contracts with the Company.

Directors' Authority to Allot Relevant Securities

There are no provisions under Jersey law which confer rights of pre-emption upon the issue or sale of any class of shares in the Company. However, the Company is listed on the London Stock Exchange with a premium listing, and is required to offer pre-emption rights to its shareholders and the Articles of Association were amended in 2010 to reflect this. Ordinary shares will only be issued at a premium to the prevailing net asset value per Ordinary share and, therefore, will not be disadvantageous to existing shareholders or warrantholders. Any future issues of Ordinary shares will be carried out in accordance with the Listing Rules.

During the year 9.5 million new Ordinary shares were issued for cash. Subsequent to the year end a total of 2.65 million new Ordinary shares have been issued for cash.

Unless previously disapplied by special resolution, in accordance with the Listing Rules, the Company is now required to first offer any new shares or securities (or rights to subscribe for, or to convert or exchange into, shares) proposed to be issued for cash to shareholders in proportion to their holdings in the Company. In order to continue with such share issues, your Board is therefore also proposing that an annual disapplication of the pre-emption rights is given to the Directors so that they may continue to issue shares as and when appropriate. Accordingly, Resolution 9, a Special Resolution, proposes a disapplication of the pre-emption rights in respect of 10% of the shares in issue, set to expire on the earlier of eighteen months from the date of the resolution or at the conclusion of the Annual General Meeting to be held in 2014.

Purchase of the Company's Securities

The Directors operate an active discount management policy through the use of share buy backs, the objective being to maintain the price at which the Ordinary shares trade relative to their underlying net asset value at a discount of no more than 5 per cent. Purchases of Ordinary shares will only be made through the market for cash at prices below the prevailing net asset value per Ordinary share (which, subject to shareholder approval at the AGM will be the latest estimated net asset value per Ordinary share) where the Directors believe such purchases will enhance shareholder value and are likely to assist in narrowing any discount to net asset value at which the Ordinary shares may trade.

Resolution 6, a Special Resolution, will be proposed to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions of the Listing Rules of the Financial Services Authority. Accordingly, the Company will seek authority to purchase up to a maximum of 27,639,213 Ordinary shares (representing 14.99 per cent. of the current issued share capital). The authority being sought shall expire at the conclusion of the Annual General Meeting in 2014 unless such authority is renewed prior to such time. Any Ordinary shares purchased in this way will be cancelled and the number of Ordinary shares will be reduced accordingly, or the shares will be held in treasury, in accordance with Resolution 7. During the year and subsequent to the period end no Ordinary shares have been purchased in the market for cancellation or treasury.

Following changes made to Jersey company law in 2008, Jersey companies can now either cancel shares or hold them in treasury following a buy-back of shares. These powers will give Directors additional flexibility going forward and the Board considers that it will be in the interest of the Company that such powers be available, including the powers to hold treasury shares. Such powers will only be implemented when, in the view the Directors, to do so will be for the benefit of all shareholders. Any future sales of shares from treasury will only be undertaken at a premium to the prevailing net asset value per Ordinary shares.

Purchases of Warrants will only be made through the market for cash if the net asset value per Ordinary share is greater than 120p (being the price payable on the exercise of a Warrant) and at prices below the prevailing net asset value attributable to a Warrant (as last calculated) where the Directors believe such purchases will enhance shareholder value. Accordingly, Resolution 8, a Special Resolution, will be proposed to renew the Directors' authority to make market purchases of the Company's Warrants in accordance with the provisions the Listing Rules of the Financial Services Authority.

Recommendation

Your Board considers Resolutions 6, 7, 8 and 9 to be in the best interests of the Company and its members as a whole. Accordingly, your Board recommends that shareholders should vote in favour of Resolutions 6, 7, 8 and 9 to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial shareholdings which amount to 158,748 Ordinary shares.

Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued Ordinary share capital of the Company at 28 February 2013:

Shareholder	Number of shares held	% held
Speirs & Jeffrey	13,853,636	7.6
Quilter	12,676,873	6.9
Brewin Dolphin Stockbrokers	12,369,457	6.8
Charles Stanley	9,751,024	5.3
Investec Wealth & Management	7,649,352	4.2
Rathbones	7,606,145	4.1
Adam & Co. Investment Management	7,196,873	3.9
Hargreaves Lansdowne	5,666,635	3.1
Legal & General Investment Management	5,659,022	3.1

The Company has not been advised of any significant changes to the above information at the date of this report.

Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Directors do not consider any creditors to represent trade creditors.

Corporate Governance

The Statement of Corporate Governance forms part of this Directors' Report and covers the Company's compliance with the UK Corporate Governance Code and is shown on pages 28 to 31.

Going Concern

In accordance with the Financial Reporting Council's guidance on Going Concern and Liquidity Risk issued in October 2009 the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's assets consist primarily of a diverse portfolio of listed equity shares which in most circumstances are realisable within a very short timescale.

The Directors are mindful of the principal risks and uncertainties disclosed on pages 3 to 8 and have reviewed forecasts detailing revenue and liabilities and the Directors believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report. Accordingly, the Directors continue to adopt the going concern basis in preparing these accounts.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the financial statements are set out on pages 32 and 34.

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's Auditor is unaware, and he or she has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. Additionally there are no important events since the year end other than as disclosed in the notes to the financial statements.

Independent Auditor

Our Auditor, Ernst & Young LLP, has indicated its willingness to remain in office. The Directors will place a Resolution before the Annual General Meeting to re-appoint them as independent Auditor for the ensuing year, and to authorise the Directors to determine their remuneration.

By order of the Board
Aberdeen Private Wealth Management Limited
Secretary

No.1 Seaton Place,
St Helier, Jersey JE4 8YL
27 March 2013

Statement of Corporate Governance

The Company is committed to a high standard of corporate governance.

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the UK Corporate Governance Code published in May 2010 (the "Governance Code"), which is available on the Financial Reporting Council's website: www.frc.org.uk. The Governance Code covers in particular the annual re-appointment of Directors, Board diversity (including gender), external evaluation, the Board's responsibilities in relation to risk, and a clear explanation of business model and strategy.

In October 2010 the Association of Investment Companies ("AIC") published a Code of Corporate Governance ("AIC Code") and a Corporate Governance Guide for Investment Companies ("AIC Guide") for Jersey-domiciled investment companies which are available on the AIC's website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

In respect of the year ending 31 December 2013 the Board will report its corporate governance compliance against the new AIC Code of Corporate Governance for Jersey domiciled investment companies which was published in February 2013 and which is effective for year ends commencing on or after 1 October 2012. The February 2013 AIC Code incorporates changes made to the Governance Code in September 2012.

Application of the AIC Code

The Board is accountable to the Company's shareholders for good governance and this statement describes how the principles identified in the AIC Code have been applied by the Company. Save for the exception noted below, the Company has complied with the provisions set out in the AIC Code and the relevant provisions of the Governance Code throughout the year ended 31 December 2012.

The Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and,
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and in the preamble to the Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions.

The Board

The Board currently consists of a non-executive Chairman and five other non-executive Directors. All Directors, with the exception of Mr H Young are considered by the Board to be independent of the Investment Manager and free of any material relationship with the Investment Manager. Mr H Young is a Director of the Investment Manager and as such is not independent and therefore he submits himself for annual re-election as a Director. Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Investment Manager, under the terms of the Management Agreement. Mr Baxter has been appointed Senior Independent Director.

The Board takes the view that independence is not compromised by length of tenure on the Board and that experience can add significantly to the Board's strength. The Board will continue to assess the independence of each Board member annually and it is possible that, in the future, Directors who have served more than nine years may still be viewed as independent albeit subject to annual re-election by shareholders. The Board is entirely satisfied that, with the exception of Mr H Young, each Director is independent of the Company.

During the year ended 31 December 2012 the Board met five times. In addition, the Audit Committee met twice, the Management Engagement and Nominations Committees each met once and there were eight other Board Committee meetings. Between meetings the Board maintains regular contact with the Manager and Investment Manager.

Directors have attended Board and Audit Committee meetings during the year ended 31 December 2012 as follows (with their eligibility to attend the relevant meeting in brackets – in order to be eligible for a meeting a Director must be situated outside of the United Kingdom accordingly a Director is not deemed to have missed a meeting if they were in the UK at the time):

	Board	Other Board Cm'tee	Audit	Other
P Arthur*	5 (5)	2 (2)	n/a	2 (2)
D Baxter	5 (5)	7 (8)	2 (2)	2 (2)
A Berzins	5 (5)	5 (5)	2 (2)	2 (2)
M Chambers**	2 (2)	3 (3)	1 (1)	2 (2)
C Clarke***	4 (4)	5 (5)	1 (1)	n/a
A Armstrong	3 (3)	2 (2)	0 (0)	0 (0)
H Young****	5 (5)	5 (5)	n/a	n/a

* Mr Arthur is not a member of the Audit Committee

** Mr Chambers retired on 16 May 2012

*** Mr Clarke was appointed on 29 March 2012

**** Mr H Young is not a member of the Audit or Management Engagement Committees

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of the Investment Manager. Such matters include strategy, gearing, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board has put in place necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board, Directors' individual self evaluation and a performance evaluation of the Board as a whole. For the year to 31 December 2012 this was undertaken using detailed questionnaires followed by one-on-one discussions. The last externally facilitated evaluation was conducted by Trust Associates in 2011. The Board has also reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, Aberdeen Private Wealth Management Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Committees

Audit Committee

The Audit Committee operates within clearly defined terms of reference and comprises four independent Directors, Mr A Berzins (Chairman with recent and relevant experience), Mr D Baxter, Mr C Clarke and Dr A Armstrong. The Governance Code and the AIC Code acknowledge that some of the standard Governance Code provisions may not be specifically appropriate to investment companies and in this regard the Board believes that it is appropriate for all the independent Directors (excluding the Chairman, in line with best practice) to constitute the Audit Committee. In summary the Audit Committee's main functions are:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Manager and Administrator;
- to meet with the external Auditor to review their proposed audit programme of work and the findings of the Auditor. The Committee uses this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services. (During the period under review, fees amounting to £5,000 were paid to the Auditor in respect of non audit services – the Board will review any future fees in the light of the requirement to maintain the Auditor's independence);
- to review an annual statement from the Manager detailing the arrangements in place within AAM whereby AAM staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor; and,
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

Management Engagement Committee

The Board has appointed a Management Engagement Committee which comprises five independent Directors, Mr P Arthur (Chairman), Mr A Berzins, Mr D Baxter, Mr C Clarke and Dr A Armstrong. The Committee reviews the performance of the Investment Manager and the investment management and secretarial agreement and compliance with its terms. The terms and conditions of the Investment Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee at least once a year. The Board remains satisfied that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole. The key factors taken into account in reaching this decision are the investment skills, experience and commitment and performance record of the Investment Manager. The Investment Management Agreement is terminable on not less than six months' notice.

Nomination Committee

Appointments to the Board of Directors are considered by the Nominations Committee which comprises the entire Board and whose Chairman is Mr Arthur (with effect from the retirement of Mr Chambers on 16 May 2012). Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles of Association require that one third of the Directors retire by rotation at each Annual General Meeting.

As part of the plans for succession the Nomination Committee initiated a search for an additional offshore Director using the services of an external recruitment consultant, Hassell Blampied Associates. The Committee identified a specification for the new Director, including the requisite skills and experience that would complement the existing Directors and having due regard for the benefits of gender diversity on the Board, and the vacancy was advertised in the Jersey press. The Committee met with and considered several high quality candidates and identified Mr Charles Clarke as the preferred candidate due to his relevant experience and expertise. Mr Clarke was appointed to the Board with effect from 29 March 2012.

Remuneration Committee
Under the UK Listing Authority's Listing Rules, where an investment trust has only non-executive directors, the Code principles relating to directors' remuneration do not apply. The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company.

The Remuneration Committee has reviewed the level of Directors' fees by reference to an analysis of peer group directors' fees and industry surveys. It was agreed that given the time commitments required and the fact that the level of fees had not been increased for two years it would be appropriate to increase the level of fees payable as follows: £35,000 for the Chairman; £28,000 for the Audit Committee Chairman; £24,000 for other Directors; and £1,000 extra to the Senior Independent Director. The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is also detailed in the Directors' Remuneration Report on page 33.

Internal Control
The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication of the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code" (the FRC Guidance) in October 2005, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the period under review and up to the date of approval of this Annual Report and Accounts, and is regularly reviewed by the Board and accords with the guidance. The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows:

- financial;
- operational; and
- compliance.

The key components designed to provide effective internal control are outlined below:

- the Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits; reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Investment Manager as appropriate;
- as a matter of course the Investment Manager's compliance department continually reviews the Investment Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Investment Manager and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Investment Manager, has decided to place reliance on the Investment Manager's systems and internal audit procedures; and
- at its 19 March 2013 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 December 2012 by considering documentation from the Investment Manager, including its internal audit and compliance functions and taking account of events since 31 December 2012. The results of the assessment were then reported to the Board at the next Board meeting.

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

Relations with Shareholders
The Directors place a great deal of importance on communication with shareholders. The Annual Report and Accounts are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's freephone information service and the Company's website (www.asian-income.co.uk).

The Notice of the Annual General Meeting included within the Annual Report and Accounts is ordinarily sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Manager, either formally at the Company's Annual General Meeting or informally following the meeting. The Company Secretary is available to answer general shareholder queries at any time throughout the year. The Directors are keen to encourage dialogue with shareholders and the Chairman welcomes direct contact from shareholders.

Proxy Voting and Stewardship

The Financial Reporting Council (FRC) published "the UK Stewardship Code" for Institutional shareholders on 2 July 2010. The purpose of the Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The FRC is encouraging institutional investors to make a statement of their commitment to the Code.

The Board has delegated responsibility for actively monitoring the activities of investee companies to the Manager. The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company meetings. The Investment Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights. The Investment Manager's policy is to vote all shares held by the Company.

The Board has reviewed the Investment Manager's Corporate Governance Principles, which may be found on the Manager's website, at http://www.aberdeen-asset.com/doc.nsf/Lit/CorporateGovernanceGroupPrinciples.

This sets out the Investment Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing. The Board has also reviewed, and endorses, the Investment Manager's Statement of Compliance with the Code, which appears on the Manager's website, at http://www.aberdeenasset.com/aam.nsf/AboutUs/governancestewardship.

The Board receives from the Investment Manager regular reports on the exercise by the Investment Manager of the Company's voting rights.

Environmental, Social and Corporate Governance Policy

The Directors recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company. In asking the Investment Manager to deliver against these objectives, they believe that companies failing to take into account broader social, ethical and environmental issues are unlikely to have long term sustainable businesses. Therefore they ask the Investment Manager to take into account these factors when assessing investment opportunities. Aberdeen aims to take a full part in dialogue on corporate governance reforms and is a member of various international and regional bodies, including the International Corporate Governance Network as well as being a signatory to the United Nations Principles for Responsible Investing (UNPRI). Through these groups and independently, the Manager communicates its views on corporate governance best practice to regulators and policy-makers across the world.

By order of the Board

Aberdeen Private Wealth Management Limited
Secretary

No.1 Seaton Place,
St Helier,
Jersey, JE4 8YJ
27 March 2013

Statement of Directors' Responsibilities

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

Jersey Company law requires the Directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual 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 the Company faces.

For Aberdeen Asian Income Fund Limited

P A K Arthur
Chairman
27 March 2013

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' Remuneration Report

As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company.

Remuneration Policy

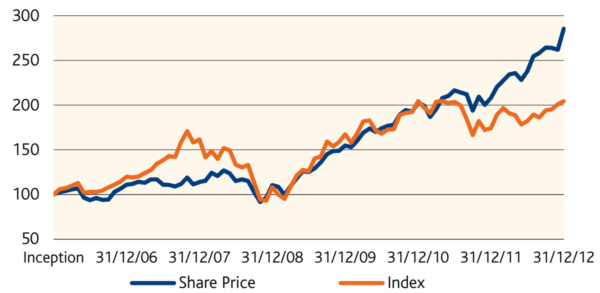
The limit on aggregate fees payable by the Company to the Directors under Article 78 is £200,000. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Remuneration Committee has carried out a review of the level of Directors' fees and has concluded that with effect from 1 January 2013, the level of Directors' fees should be increased to £35,000, £28,000 and £24,000 for the Chairman, Audit Committee Chairman and remaining Directors respectively with a further £1,000 per annum payable to the Senior Independent Director. No element of the Directors' remuneration is performance related. A resolution to receive and adopt the Directors' Remuneration Report will be proposed at the Annual General Meeting.

None of the Directors has a service contract with the Company. Each of the Directors has entered into a letter of appointment with the Company (subject to election at the first Annual General Meeting and re-election at subsequent Annual General Meetings in accordance with the Articles of Association) terminable on three months' notice. The Directors' interests in contractual arrangements with the Company are shown in note 18 to the financial statements. No other Directors were interested in contracts with the Company during the period, or subsequently. Directors' & Officers' liability insurance cover is maintained by the Company and is neither a benefit in kind nor does it form part of the Directors' remuneration. The Company's Articles indemnify each Secretary, agent and servant of the Company out of the assets of the Company in relation to charges, losses, liabilities, damages and expenses incurred in the course of the discharge of their duties provided that such indemnity is not available in circumstances where there is fraud, wilful misconduct or negligence. Directors (and every present or former officer of the Company) shall be indemnified out of the assets of the Company in so far as the law allows.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Company Performance

The following graph illustrates the total shareholder return for a holding in the Company's shares as compared to the MSCI AC Asia Pacific ex Japan Index (currency adjusted) for the period since the inception of the Company (figures rebased to 100 at inception). Given the Company's investment objective this is the most appropriate index against which to measure the Company's performance. Shareholders should note that the Company's portfolio is constructed without reference to any stockmarket index. It is likely, therefore, that there will be periods when the Company's performance will be quite unlike that of any index or benchmark and there can be no assurance that such divergence will be to the Company's advantage.



Directors' Emoluments

The Directors who served in the year received the following fees:

Director	2012 £	2011 £
P Arthur (Chairman and highest paid Director)	30,000	30,000
A Berzins	24,000	24,000
D Baxter	22,000	22,000
M Chambers*	7,903	21,000
C Clarke**	15,919	-
A Armstrong	21,000	21,000
H Young	21,000	21,000
Total	**141,822**	**139,000**

* Mr Chambers retired on 16 May 2012

** Mr Clarke was appointed on 29 March 2012

The amounts paid by the Company to the Directors were for services as non-executive Directors.

Sums Paid to Third Parties

Of the fees disclosed above £21,000 (2011 - £21,000) was payable to third parties in respect of making available the services of Directors. These fees were in respect of Mr H Young and were assigned to Aberdeen Asset Management Asia Limited.

By order of the Board
Aberdeen Private Wealth Management Limited
Secretary
27 March 2013

Independent Auditor's Report to the Members of Aberdeen Asian Income Fund Limited

We have audited the financial statements of Aberdeen Asian Income Fund Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report, to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Christopher James Matthews, FCA
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
27 March 2013

The financial statements are published on a website maintained by the Company. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

	Notes	Year ended 31 December 2012 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2011 Revenue £'000	Capital £'000	Total £'000
Investment income	4						
Dividend income		14,231	55	14,286	10,887	52	10,939
Interest income		821	–	821	991	–	991
Total revenue		15,052	55	15,107	11,878	52	11,930
Gains/(losses) on investments designated at fair value through profit or loss	10	–	60,351	60,351	–	(3,891)	(3,891)
Net currency gains/(losses)		–	599	599	–	(48)	(48)
		15,052	61,005	76,057	11,878	(3,887)	7,991
Expenses							
Investment management fee	5	(1,127)	(1,691)	(2,818)	(859)	(1,288)	(2,147)
Other operating expenses	6	(827)	(3)	(830)	(841)	(4)	(845)
Profit before finance costs and tax		13,098	59,311	72,409	10,178	(5,179)	4,999
Finance costs	7	(88)	(133)	(221)	(75)	(112)	(187)
Profit before tax		13,010	59,178	72,188	10,103	(5,291)	4,812
Tax expense	2(d)	(580)	–	(580)	(459)	–	(459)
Profit/(loss) for the year		**12,430**	**59,178**	**71,608**	**9,644**	**(5,291)**	**4,353**
Profit/(loss) for the year analysed as follows:							
Attributable to equity shareholders		**12,240**	**56,764**	**69,004**	**9,644**	**(5,291)**	**4,353**
Attributable to C shares		**190**	**2,414**	**2,604**	**–**	**–**	**–**
Total		**12,430**	**59,178**	**71,608**	**9,644**	**(5,291)**	**4,353**
Earnings per Ordinary share (pence):	9						
Basic		**8.31**	**38.56**	**46.87**	**7.44**	**(4.08)**	**3.36**
Diluted		**8.21**	**38.07**	**46.28**	**7.26**	**(3.98)**	**3.28**
Earnings per C share (pence):	9						
Basic and diluted		**0.32**	**4.02**	**4.34**	**n/a**	**n/a**	**n/a**

The Company does not have any income or expense that is not included in profit/(loss) for the year, and therefore the "Profit/(loss) for the year" is also the "Total comprehensive income for the year", as defined in IAS 1 (revised).

All of the profit/(loss) and total comprehensive income is attributable to the equity holders and C share holders of Aberdeen Asian Income Fund Limited. There are no minority interests.

The total column of this statement represents the Statement of Comprehensive Income of the Company, prepared in accordance with IFRS. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

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

Balance Sheet

	Notes	As at 31 December 2012 £'000	As at 31 December 2011 £'000
Non-current assets			
Investments designated at fair value through profit or loss	10	381,705	236,609
Current assets			
Cash and cash equivalents		4,532	5,930
Other receivables	11	884	738
		5,416	6,668
Current liabilities			
Bank loans	12	(13,268)	(11,000)
Other payables	12	(889)	(331)
C shares	13	(61,677)	–
		(75,834)	(11,331)
Net current liabilities		(70,418)	(4,663)
Net assets		**311,287**	**231,946**
Stated capital and reserves			
Stated capital	13	151,182	139,084
Warrant reserve		357	615
Capital redemption reserve		1,560	1,560
Capital reserve	14	147,830	82,523
Revenue reserve	14	10,358	8,164
Equity shareholders' funds		**311,287**	**231,946**
Net asset value per Ordinary share (pence):	15		
Basic		**205.90**	**166.77**
Diluted		**203.92**	**164.78**
Net asset value per C share (pence):	15		
Basic		**102.80**	**n/a**

The financial statements on pages 35 to 57 were approved by the Board of Directors and authorised for issue on 27 March 2013 and were signed on its behalf by :

Peter Arthur
Chairman

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

Statement of Changes in Equity

For the year ended 31 December 2012

	Stated capital £'000	Warrant reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Retained earnings £'000	Total £'000
Opening balance	139,084	615	1,560	82,523	8,164	–	231,946
Issue of own shares	9,517	–	–	7,769	–	–	17,286
Exercise of warrants	2,581	(258)	–	774	–	–	3,097
Profit for the year	–	–	–	–	–	69,004	69,004
Transferred from retained earnings to capital reserve[A]	–	–	–	56,764	–	(56,764)	–
Transferred from retained earnings to revenue reserve	–	–	–	–	12,240	(12,240)	–
Dividends paid	–	–	–	–	(10,046)	–	(10,046)
Balance at 31 December 2012	**151,182**	**357**	**1,560**	**147,830**	**10,358**	**–**	**311,287**

For the year ended 31 December 2011

	Stated capital £'000	Warrant reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Retained earnings £'000	Total £'000
Opening balance	118,035	2,095	1,560	79,427	7,037	–	208,154
Issue of own shares	6,250	–	–	3,947	–	–	10,197
Exercise of warrants	14,799	(1,480)	–	4,440	–	–	17,759
Profit for the year	–	–	–	–	–	4,353	4,353
Transferred from retained earnings to capital reserve[A]	–	–	–	(5,291)	–	5,291	–
Transferred from retained earnings to revenue reserve	–	–	–	–	9,644	(9,644)	–
Dividends paid	–	–	–	–	(8,517)	–	(8,517)
Balance at 31 December 2011	**139,084**	**615**	**1,560**	**82,523**	**8,164**	**–**	**231,946**

[A]Represents the capital profit attributable to equity shareholders per the Statement of Comprehensive Income.

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

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

Cash Flow Statement

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000	Year ended 31 December 2011 £'000
Profit for the year			71,608		4,353
Add back finance costs	7		221		187
Add back taxation paid			580		459
(Gains)/losses on investments held at fair value through profit or loss	10		(60,351)		3,891
Net currency (gains)/losses	14		(599)		48
(Increase)/decrease in other receivables			(146)		460
Increase/(decrease) in other payables			176		(113)
Net cash inflow from operating activities before finance costs and tax[A]			11,489		9,285
Bank and loan interest paid			(201)		(188)
Overseas taxation paid			(580)		(459)
Net cash inflow from operating activities			10,708		8,638
Investing activities					
Purchases of investments		(134,470)		(48,529)	
Sales of investments		50,089		24,962	
Net cash outflow from investing activities			(84,381)		(23,567)
Financing activities					
Proceeds from issue of Ordinary shares	13	17,286		10,197	
C share issue proceeds net of expenses	13	59,073		–	
Proceeds from exercise of warrants	13	3,097		17,759	
Dividends paid	8	(10,046)		(8,517)	
Loans drawn down		2,767		–	
Net cash inflow from financing activities			72,177		19,439
Net (decrease)/increase in cash and cash equivalent			(1,496)		4,510
Cash and cash equivalents of the start of the year			5,930		1,380
Effect of foreign exchange rate changes			98		40
Cash and cash equivalents at the end of the year	2,16		**4,532**		**5,930**

[A]Includes income from dividends of £13,821,000 gross (2011 – £11,230,000 gross) and interest income of £965,000 (2011 – £990,000).

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

Notes to the Financial Statements For the year ended 31 December 2012

1. Principal activity

The Company is a closed-end investment company incorporated in Jersey, with its shares being listed on the London Stock Exchange.

2. Accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Reporting Interpretations Committee of the IASB (IFRIC). All of the IFRS which took effect during the year were adopted by the Company and did not have a material impact on the financial results.

The financial statements are prepared on a historical cost basis, except for investments that have been measured at fair value through profit or loss and financial liabilities that have been measured at amortised cost.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2012.

The financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Where guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") is consistent with the requirement of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Changes in accounting policy and disclosures

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- Amendments to IFRS 7 – Disclosures: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 10 – Definition of Investment Entity (early adoption permitted) (effective for annual periods beginning on or after 1 January 2014).
- IFRS 9 – Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 – Consolidated Financial Statements (early adoption permitted) (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 – Joint Arrangements (early adoption permitted) (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 – Disclosure of Interests in Other Entities (early adoption permitted) (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 – Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).
- Annual Improvements and Amendments to IFRS (2009–2011) – IFRS 1 First-time Adoption of International Financial Reporting Standards, IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 32 Financial Instruments: Presentation, IAS 34 Interim Financial Reporting. (effective for annual periods beginning on or after 1 January 2013).
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 19 – Employee Benefits (effective for annual periods on or after 1 January 2013).
- IAS 27 – Separate Financial Statements (early adoption permitted) (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 – Investments in Associates and Joint Ventures (early adoption permitted) (effective 1 January 2013).
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods

beginning on or after 1 January 2014).

- Amendments to IAS 1 – Presentation of Items in Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).

The Directors do 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 will be revised presentations to the Primary Financial Statements and additional disclosures. The Company intends to adopt the Standards in the reporting period when they become effective.

(b) Income

Dividends receivable on equity shares (other than special dividends) are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Where the Company has elected to receive dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Special dividends are credited to capital or revenue according to their circumstances. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of Comprehensive Income.

The fixed returns on debt securities and non-equity shares are recognised using the effective interest rate method.

Interest receivable from cash and short-term deposits is accrued to the end of the financial period.

(c) Expenses

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 through 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 treated as capital and separately identified and disclosed in note 10;
- expenses (including share issue costs) are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated; and
- the Company charges 60% of investment management fees and finance costs to capital, in accordance with the Board's expected long term return in the form of capital gains and income respectively from the investment portfolio of the Company.

(d) Taxation

Profits arising in the Company for the year ended 31 December 2012 will be subject to Jersey income tax at the rate of 0% (2011 – 0%).

However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Company presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income. For the purpose of the Cash Flow Statement, cash inflows from investments are presented net of withholding taxes, when applicable.

(e) Investments

All investments have been designated upon initial recognition as fair value through profit or loss. This is done because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis.

Purchases of investments are recognised on a trade date basis and designated upon initial recognition at fair value through profit or loss. Sales of assets are also recognised on a trade date basis. Proceeds are measured at fair value, which are regarded as the proceeds of sale less any transaction costs.

The fair value of the financial assets is based on their quoted bid price at the reporting date, without deduction for any estimated future selling costs. Unquoted investments would be valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as "Gains on financial assets at fair value through profit or loss". Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

(f) Cash and cash equivalents

Cash comprises cash held at banks. 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 values.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash at bank net of any outstanding bank overdrafts.

(g) Other receivables and payables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their recoverable amount. Other payables are non interest bearing and are stated at their payable amount.

(h) Dividends payable

Dividends are recognised in the financial statements in the period in which they are declared.

(i) Nature and purpose of reserves

Warrant reserve

The Warrant reserve was created on the issue of 22,000,000 Warrants at the launch of the Company. Each Warrant issued entitles the holder to subscribe in cash for one Ordinary share on the terms contained in note 13. The reserve reflects the issue price of unexercised Warrants.

Capital redemption reserve

The capital redemption reserve arose when Ordinary shares were redeemed, at which point an amount equal to the par value of the Ordinary share capital was transferred from the Statement of Comprehensive Income to the capital redemption reserve. Following a law amendment in 2008, the Company is no longer required to transfer the par value of the Ordinary share capital. Although the transfer from the Statement of Comprehensive Income is no longer required, the amount remaining in the capital redemption reserve is not distributable in accordance with the undertaking provided by the Board in the launch Prospectus.

Capital reserve

This reserve reflects any gains or losses on investments realised in the period along with any increases and decreases in the fair value of investments held that have been recognised in the Statement of Comprehensive Income.

Revenue reserve

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

(j) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the reporting date. The financial statements are presented in sterling, which is the Company's functional and presentation currency. The Company's performance is evaluated and its liquidity is managed in sterling. Therefore sterling is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Gains or losses arising from a change in exchange rates subsequent to the date of a transaction are included as an exchange gain or loss in revenue or capital in the Statement of Comprehensive Income, depending on whether the gain or loss is of a revenue or capital nature.

(k) Borrowings

Monies borrowed to finance the investment objectives of the Company are stated at the amount of the net proceeds immediately after the issue plus cumulative finance costs less cumulative payments made in respect of the debt. The finance cost of such borrowings is allocated to years over the term of the debt at a constant rate on the carrying amount and, as per the Prospectus, is charged 40% to revenue and 60% to capital reserves to reflect the Company's investment policy and prospective income and capital growth.

Borrowings are measured at amortised cost using the effective interest rate method.

(l) Share capital

The Company's Ordinary shares are classified as equity as the Company has full discretion on repurchasing the shares and on dividend distributions.

Issuance, acquisition and resale of Ordinary shares are accounted for as equity transactions. Upon issuance of shares, the consideration received is included in equity.

Transaction costs incurred by the Company in acquiring or selling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale issuance or cancellation of the Company's own instruments.

In accordance with paragraph 11 of IAS 32 (Financial Instruments: Presentation), C shares are classified as a liability prior to conversion due to the inherent variability of the number of Ordinary shares attributable to C shareholders on conversion.

3. Segment information

For management purposes, the Company is organised into one main operating segment, which invests 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 upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The following table analyses the Company's operating income per geographical location. The basis for attributing the operating income is the place of incorporation of the instrument's counterparty.

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Asia Pacific region	14,321	11,492
United Kingdom	731	386
	15,052	**11,878**

4. Income	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Income from investments		
Overseas dividends	13,522	10,352
Franked income	709	385
Stock dividends	–	150
	14,231	10,887
Interest income		
Bond interest	799	990
Deposit interest	22	1
	821	991
Total income	**15,052**	**11,878**

5. Investment management fee	Year ended 31 December 2012 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2011 Revenue £'000	Capital £'000	Total £'000
Investment management fee	**1,127**	**1,691**	**2,818**	**859**	**1,288**	**2,147**

The Company has an agreement with Aberdeen Private Wealth Management Limited (APWM) for the provision of management services. This agreement has been sub-delegated to Aberdeen Asset Management Asia Limited (AAM Asia).

During the year the management fee was payable monthly in arrears and was based on an annual amount of 1% of the net asset value of the Company valued monthly. The balance due to APWM at the year end was £309,000 (2011 – £192,000). The investment management fees are charged 40% to revenue and 60% to capital.

6. Other operating expenses	Year ended 31 December 2012 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2011 Revenue £'000	Capital £'000	Total £'000
Directors' fees	142	–	142	139	–	139
Marketing contribution	192	–	192	154	–	154
Auditor's remuneration:						
• statutory audit	23	–	23	22	–	22
• interim accounts review	5	–	5	5	–	5
Custodian charges	109	–	109	86	–	86
Secretarial and administration fee	123	–	123	118	–	118
Other	233	3	236	317	4	321
	827	**3**	**830**	**841**	**4**	**845**

The Company has an agreement with Aberdeen Asset Managers Limited (AAM) for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust share plan and ISA. The total fees paid are based on an annual rate of £207,000 (2011 – £161,000). A balance of £52,000 (2011 – £nil) was payable to AAM at the year end.

In addition, Aberdeen Private Wealth Management Limited (APWM) is entitled to an annual company secretarial and administration fee of £123,000 (2011 – £118,000), which increases annually in line with any increases in the Retail Price Index. A balance of £31,000 (2011 – £30,000) was payable to APWM at the year end.

7. Finance costs	Year ended 31 December 2012 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2011 Revenue £'000	Capital £'000	Total £'000
On bank loans	**88**	**133**	**221**	**75**	**112**	**187**

Finance costs are charged 40% to revenue and 60% to capital as disclosed in the accounting policies.

8. Dividends on Ordinary equity shares	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Amounts recognised as distributions to equity holders in the year:		
Fourth interim dividend for 2011 – 2.25p per Ordinary share (2010 – 2.25p)	3,138	2,656
First interim dividend for 2012 – 1.55p per Ordinary share (2011 – 1.5p)	2,241	1,782
Second interim dividend for 2012 – 1.55p per Ordinary share (2011 – 1.5p)	2,324	2,010
Third interim dividend for 2012 – 1.55p per Ordinary share (2011 – 1.5p)	2,343	2,069
	10,046	**8,517**

The fourth interim dividend for 2012, amounting to £3,780,000 (2011 – fourth interim dividend of £3,138,000), has not been included as a liability in these financial statements as it was announced and paid after 31 December 2012.

The table below sets out the total dividends paid in respect of the financial year. The revenue available for distribution by way of dividend for the year is £12,430,000 (2011 – £9,644,000).

	2012 £'000	2011 £'000
First interim dividend for 2012 – 1.55p per Ordinary share (2011 – 1.5p)	2,241	1,782
Second interim dividend for 2012 – 1.55p per Ordinary share (2011 – 1.5p)	2,324	2,010
Third interim dividend for 2012 – 1.55p per Ordinary share (2011 – 1.5p)	2,343	2,069
Fourth interim dividend for 2012 – 2.50p per Ordinary share (2011 – 2.25p)	3,780	3,138
	10,688	**8,999**

No C share dividends have been paid or declared.

9. Earnings per share

Ordinary shares

The earnings per Ordinary share is based on the net profit after taxation of £69,004,000 (2011 – profit of £4,353,000) and on 147,219,055 (2011 – 129,577,283) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The earnings per Ordinary share detailed above can be further analysed between revenue and capital as follows:

Basic	Year ended 31 December 2012 Revenue	Capital	Total	Year ended 31 December 2011 Revenue	Capital	Total
Net profit (£'000)	**12,240**	**56,764**	**69,004**	**9,644**	**(5,291)**	**4,353**
Weighted average number of Ordinary shares in issue			**147,219,055**			**129,577,283**
Return per Ordinary share (pence)	**8.31**	**38.56**	**46.87**	**7.44**	**(4.08)**	**3.36**

Diluted	Revenue	Capital	Total	Revenue	Capital	Total
Net profit (£'000)	**12,240**	**56,764**	**69,004**	**9,644**	**(5,291)**	**4,353**
Weighted average number of Ordinary shares in issue if Warrants converted			**149,100,417**			**132,885,550**
Return per Ordinary share (pence)	**8.21**	**38.07**	**46.28**	**7.26**	**(3.98)**	**3.28**

The calculation of the diluted earnings per Ordinary shares is based on the average traded share price over the period. The calculations indicate that the exercise of Warrants would result in an increase in the weighted average number of Ordinary shares of 1,881,362 to 149,100,417 Ordinary shares (2011 – increase in the weighted average number of Ordinary shares of 3,308,267 to 132,885,550 Ordinary shares).

C shares

The earnings per C share is based on the net profit after taxation of £2,604,000 (2011 – £nil) and on 60,000,000 (2011 – nil) C shares, being the weighted average number of C shares in issue during the year.

The earnings per C share detailed above can be further analysed between revenue and capital as follows:

	Year ended 31 December 2012 Revenue	Capital	Total	Year ended 31 December 2011 Revenue	Capital	Total
Net profit (£'000)	**190**	**2,414**	**2,604**	**n/a**	**n/a**	**n/a**
Weighted average number of C shares in issue			**60,000,000**			**n/a**
Return per C share (pence)	**0.32**	**4.02**	**4.34**	**n/a**	**n/a**	**n/a**

There was no dilution to the earnings per C share at 31 December 2012 as there was no potentially dilutive C shares in issue at that date.

10. **Investments designated at fair value through profit or loss**	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Opening valuation	236,609	216,933
Movements in the year:		
Purchases at cost	134,834	48,529
Sales – proceeds	(50,089)	(24,962)
Sales – realised gains	21,865	11,679
Increase/(decrease) in investment holdings fair value	38,486	(15,570)
Closing valuation at 31 December 2012	**381,705**	**236,609**

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Closing book cost	286,760	180,150
Closing investment holdings fair value gains	94,945	56,459
	381,705	**236,609**

The portfolio valuation	**£'000**	**£'000**
Listed on recognised stock exchanges at market valuation:		
Equities – UK	10,988	7,059
Equities – overseas	361,989	217,147
Bonds – overseas	8,728	12,403
Total	**381,705**	**236,609**

Gains/(losses) on held-at-fair-value investments	**£'000**	**£'000**
Realised gains on sales of investments	21,865	11,679
Increase/(decrease) in investment holdings fair value	38,486	(15,570)
	60,351	**(3,891)**

All investments are categorised as held at fair value through profit or loss.

Transaction costs

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

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Purchases	329	118
Sales	93	89
	422	**207**

11. Debtors: amounts falling due within one year	**2012 £'000**	**2011 £'000**
Prepayments and accrued income	**884**	**738**

None of the above assets are past their due date or impaired.

12. Creditors: amounts falling due within one year	**2012 £'000**	**2011 £'000**
(a) Bank loans	**13,268**	**11,000**

At the year end, the Company's secured bank loans of HK$81,842,000 (2011 – HK$81,842,000) and US$11,008,000 (2011 – US$6,558,000) equivalent to £6,496,000 (2011 – £6,780,000) and £6,772,000 (2011 – £4,220,000) respectively were drawn down from the £15,000,000 facility with Scotiabank Europe PLC at fixed interest rates of 1.720% (2011 – 1.532%) and 1.609% (2011 – 1.691%) respectively.

The bank loans outstanding at 31 December 2012 are valued at the closing exchange rate at the year end, resulting in a cumulative foreign exchange gain of £259,000 (2011 – loss of £98,000) against the original book cost of these loans.

(b) Other payables	**2012 £'000**	**2011 £'000**
Amounts due to brokers	364	–
Other amounts due	525	331
	889	**331**

13. Stated capital and C shares	**2012 Number**	**2012 £'000**	**2011 Number**	**2011 £'000**
Ordinary shares of no par value				
Authorised	Unlimited	Unlimited	Unlimited	Unlimited
Issued and fully paid				
Balance brought forward	139,083,871	139,084	118,035,062	118,035
Shares issued in the year	9,517,388	9,517	6,250,000	6,250
Warrants exercised	2,581,087	2,581	14,798,809	14,799
At 31 December 2012	**151,182,346**	**151,182**	**139,083,871**	**139,084**

During the year 9,517,388 (2011 – 6,250,000) Ordinary shares were issued by the Company at a total consideration received, including transaction costs, of £17,286,000 (2011 – receipt of £10,197,000).

The Ordinary shares give shareholders the entitlement to all of the capital growth in the Company's assets and to all the income from the Company that is resolved to be distributed.

During the year 2,581,087 (2011 – 14,798,809) Warrants were exercised into Ordinary shares at a total consideration received of £3,097,000 (2011 – £17,759,000). At 31 December 2012 there were 3,574,043 (2011 – 6,155,130) Warrants in issue. The warrantholders are entitled to subscribe in cash for one Ordinary share at 120p on the subscription date, which is the twentieth business day after the dispatch to Ordinary shareholders of the Company's Annual Report and Accounts or Half-Yearly report for each year ending on the twentieth business day after the dispatch to Ordinary shareholders of the Company's Annual Report and Accounts for the year ending 31 December 2012.

Following the share issues and warrant exercise 151,182,346 (2011 – 139,083,871) Ordinary shares remain in issue. Further details of the share issues are contained in the Directors' Report on page 25.

C shares

Following a Placing and Offer for Subscription of C shares, the Company issued 60,000,000 C shares which were admitted to the Official List, and commenced trading on the main market of the London Stock Exchange on 16 November 2012.

	2012 Number	**2012 £'000**	**2011 Number**	**2011 £'000**
Issued and fully paid				
Shares issued in the year	60,000,000	60,000	n/a	n/a
Issue expenses	–	(927)	n/a	n/a
At 31 December 2012	**60,000,000**	**59,073**	**n/a**	**n/a**

The value of the C shares as at 31 December was £61,677,000. This comprised the issued and fully paid C shares of £59,073,000 referred to in the table above plus the profit for the year of £2,604,000 arising from investment holdings gains on investments held at fair value. For details of the conversion please refer to note 21. Upon extinguishment of the

C shares liability and conversion to Ordinary shares an adjustment to stated capital will arise representing the C shareholders' allocation of realised gains or losses on investments, unrealised gains or losses on investments and investment related foreign exchange movements.

Voting and other rights

In accordance with the Articles of Association of the Company, on a show of hands, every member (or duly appointed proxy) present at a general meeting of the Company has one vote; and, on a poll, every member present in person or by proxy shall have one vote for each Ordinary share held. In ordinary circumstances warrantholders do not have the right to attend or vote at General Meetings of the Company. Holders of C shares are entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each C share held.

The Ordinary shares carry the right to receive all dividends declared by the Company or the Directors, subject to the rights of any C shares in issue. C shares carry the right to receive all dividends resolved by the Directors to be paid out of the pool of assets attributable to those C shares.

On a winding-up, provided the Company has satisfied all of its liabilities and subject to the rights conferred by any Warrants and C shares in issue at that time to participate in the winding-up, holders of Ordinary shares are entitled to all of the surplus assets of the Company. Holders of C shares are entitled to any surplus assets of the Company attributable to those C shares.

Each of the Company's Warrants confers the right to subscribe in cash for one Ordinary share at a price of 120p on the twentieth business day after despatch of the Company's Annual or Half-Yearly Reports each year ending on the twentieth business day after despatch of the Annual Report for the year ending 31 December 2012.

14. Retained earnings	2012 £'000	2011 £'000
Capital reserve		
At 1 January 2012	82,523	79,427
Loans – movement in unrealised currency gain	358	(83)
Currency gain	165	35
Movement in unrealised fair value	36,101	(15,570)
Gain on realisation of investments	21,865	11,679
Capital dividends	55	52
Costs charged to capital	(1,780)	(1,404)
Issue of own shares	7,769	3,947
Warrant exercise	774	4,440
At 31 December 2012	**147,830**	**82,523**
Revenue reserve		
At 1 January 2012	8,164	7,037
Revenue	12,240	9,644
Dividends paid	(10,046)	(8,517)
At 31 December 2012	**10,358**	**8,164**

15. Net asset value per share

Ordinary shares

The basic net asset value per Ordinary 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:

Basic	Net asset value per share 2012 p	Net asset values attributable 2012 £'000	Net asset value per share 2011 p	Net asset values attributable 2011 £'000
Ordinary shares	**205.90**	**311,287**	**166.77**	**231,946**

The basic net asset value per Ordinary share is based on 151,182,346 (2011 – 139,083,871) Ordinary shares, being the number of Ordinary shares in issue at the year end.

Diluted	Net asset value per share 2012 p	Net asset values attributable 2012 £'000	Net asset value per share 2011 p	Net asset values attributable 2011 £'000
Ordinary shares	**203.92**	**315,576**	**164.78**	**239,332**

The calculation of the diluted net asset value per Ordinary share is based on the total number of Ordinary shares in issue at the year end and on the assumption that those Warrants which are not exercised at the year end, amounting to 3,574,043 Warrants as at 31 December 2012 (31 December 2011 – 6,155,130) were exercised on the first day of the financial year at 120p per share, giving a total of 154,756,389 Ordinary shares (2011 – 145,239,001).

C shares

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

	Net asset value per share 2012 p	Net asset values attributable 2012 £'000	Net asset value per share 2011 p	Net asset values attributable 2011 £'000
C shares	**102.80**	**61,677**	**n/a**	**n/a**

The net asset value per C share is based on 60,000,000 (2011 – nil) C shares, being the number of C shares in issue at the year end.

16. Financial instruments

The Company's financial instruments comprise securities, other investments, cash balances and bank loans.

The main risks arising from the Company's financial instruments are (i) market risk (comprising interest rate risk, currency risk and equity price risk), (ii) liquidity risk, (iii) credit risk and (iv) gearing risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing each of these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors.

(i) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, currency risk and equity price risk.

Interest rate risk

Interest rate movements may affect:

– the fair value of the investments in fixed interest rate securities;

– the level of income receivable on cash deposits;

– interest payable on the Company's variable rate borrowings.

Financial assets

Although the majority of the Company's financial assets comprise equity shares which neither pay interest nor have a stated maturity date, at the year end the Company had a holding in a fixed rate overseas corporate bond, Yanlord Land Group, of £8,728,000 (2011 – Indonesian Government Bond, in the form of a Currency Loan Note issued by Deutsche Bank, valued at £12,403,000). Bond prices are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short-term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee entity.

Returns from bonds are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

Financial liabilities

The Company primarily finances its operations through use of equity, retained profits and bank borrowings. On 20 March 2012 the credit facility for £15 million was extended until 20 March 2014 and details of the terms and conditions of the loan are disclosed in note 12. At the year end the Company drawdowns from the facility amounted to HK$81,842,000 (2011 – HK$81,842,000), (equivalent to £6,496,000 at 31 December 2012; 2011 – £6,780,000) at an all–in rate of 1.720% (2011 – 1.532%) per annum and US$11,008,000 (2011 – US$6,558,000), (equivalent to £6,772,000 at 31 December 2012; 2011 – £4,220,000) at an all–in rate of 1.609% (2011 – 1.691%) per annum. Both tranches are secured. Interest is due on both tranches at the maturity date, being 25 January 2013. The loans are included in creditors falling due within one year.

The Board actively monitors its bank borrowings. A decision on whether to roll over its existing borrowings will be made prior to their maturity dates, taking into account the Company's policy of not having any fixed, long-term borrowings.

The interest rate profile of the Company (excluding short term debtors and creditors as stated previously) was as follows:

At 31 December 2012	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Assets				
Chinese Overseas Corporate Bond	5.24	10.63	–	8,728
Cash at bank – Sterling	–	–	4,241	–
Cash at bank – Australian Dollar	–	–	3	–
Cash at bank – Malaysian Ringitt	–	–	93	–
Cash at bank – Japanese Yen	–	–	113	–
Cash at bank – Singapore Dollar	–	–	40	–
Cash at bank – Taiwan Dollar	–	–	34	–
Cash at bank – US Dollars	–	–	8	–
			4,532	**8,728**

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Liabilities				
Bank loan – Hong Kong Dollars	0.07	1.72	–	(6,496)
Bank loan – US Dollars	0.07	1.61	–	(6,772)
			–	**(13,268)**

At 31 December 2011	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Assets				
Indonesian Government Bond	5.56	10.00	–	12,403
Cash at bank – Sterling	–	–	4,012	–
Cash at bank – Taiwan Dollar	–	–	1,918	–
			5,930	**12,403**

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Liabilities				
Bank loan – Hong Kong Dollars	0.22	1.53	–	(6,780)
Bank loan – US Dollars	0.22	1.69	–	(4,220)
			–	**(11,000)**

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

All financial liabilities are measured at amortised cost using the effective interest rate method.

Interest rate sensitivity

The sensitivity analyses demonstrate the sensitivity of the Company's profit/(loss) for the year to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the profit/(loss) for the year is the effect of the assumed change in interest rates on:

- the net interest income for one year, based on the floating rate financial assets held at the Balance Sheet date; and
- changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the Balance Sheet date.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's:

- profit for the year ended 31 December 2012 would decrease / increase by £nil (2011 – decrease / increase by £73,000). This is attributable to the Company's exposure to interest rates on its floating rate cash balances, fixed interest securities and bank loans.

The Company holds no financial instruments that will have an equity reserve impact.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives.

Foreign currency risk

A significant proportion of the Company's investment portfolio is invested in overseas securities and the Balance Sheet can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis. All of the Company's borrowings, as detailed in note 12, are in foreign currency as at 31 December 2012.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

The fair values of the Company's monetary items that have foreign currency exposure at 31 December are shown below. Where the Company's equity investments (which are non monetary items) are priced in a foreign currency, they have been included within the equity price risk sensitivity analysis so as to show the overall level of exposure.

	31 December 2012			31 December 2011		
	Equity investments £'000	Net monetary assets £'000	Total currency exposure £'000	Equity investments £'000	Net monetary assets £'000	Total currency exposure £'000
Australian Dollar	68,626	3	68,629	45,659	–	45,659
Hong Kong Dollar	55,349	(6,496)	48,853	35,675	(6,781)	28,894
Japanese Yen	27,258	113	27,371	5,637	–	5,637
Malaysian Ringgit	31,978	93	32,071	34,447	–	34,447
Singapore Dollar	103,744	40	103,784	49,566	–	49,566
Taiwanese Dollar	24,046	34	24,080	21,661	1,918	23,579
Thailand Baht	50,988	–	50,988	24,500	–	24,500
US Dollar	–	1,964	1,964	–	8,184	8,184
Total	**361,989**	**(4,249)**	**357,740**	**217,145**	**3,321**	**220,466**

The above year end amounts are not representative of the exposure to risk during the year, because the levels of monetary foreign currency exposure change significantly throughout the year.

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.

	2012 £'000	2011 £'000
Australian Dollar	6,863	4,566
Hong Kong Dollar	4,885	2,889
Japanese Yen	2,737	564
Malaysian Ringgit	3,207	3,445
Singapore Dollar	10,378	4,957
Taiwanese Dollar	2,408	2,358
Thailand Baht	5,099	2,450
US Dollar	196	818
Total	**35,774**	**22,047**

Equity price risk

Equity price risk (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the Company's quoted equity investments.

Management of the equity 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. The allocation of assets to international markets and the stock selection process, as detailed on page 2, both 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.

Concentration of exposure to equity price risks

A geographic analysis of the Company's investment portfolio is shown on page 18, which shows that all of the investments' value is in the Asia Pacific region. It should be recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Equity price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each Balance Sheet date, with all other variables held constant.

The equity price risk sensitivity incorporates the equity foreign exchange sensitivity analysis.

	2012		2011	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after taxation				
Revenue return – increase /(decrease)	–	–	–	–
Capital return – increase /(decrease)	36,199	(36,199)	21,715	(21,715)
Total profit after taxation – increase /(decrease)	**36,199**	**(36,199)**	**21,715**	**(21,715)**
Equity	**36,199**	**(36,199)**	**21,715**	**(21,715)**

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, which stood at £75,834,000 (2011 – £11,331,000) at the year end, of which £61,677,000 (2011 – £nil) was in respect of the C shares, is classified as a financial liability under IAS 32 and which was converted to Ordinary shares after the year end.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly cash and readily realisable securities, which can be sold to meet funding commitments if necessary and these amounted to £4,532,000 and £381,705,000 (2011 – £5,930,000 and £236,609,000) at the year end respectively. Short-term flexibility is achieved through the use of loan and overdraft facilities.

Maturity profile

The following table sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk at the Balance Sheet date:

Notes to the Financial Statements continued

At 31 December 2012	Within 1 year £'000	Within 2-3 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
Fixed rate					
Bonds	–	–	–	8,728	8,728
Bank loans	(13,268)	–	–	–	(13,268)
	(13,268)	**–**	**–**	**8,728**	**(4,540)**
Floating rate					
Cash	**4,532**	**–**	**–**	**–**	**4,532**

At 31 December 2011	Within 1 year £'000	Within 2-3 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
Fixed rate					
Bonds	–	–	–	12,403	12,403
Bank loans	(11,000)	–	–	–	(11,000)
	(11,000)	**–**	**–**	**12,403**	**1,403**
Floating rate					
Cash	**5,930**	**–**	**–**	**–**	**5,930**

(iii) Credit risk

This is failure of the counter party to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

The risk is not significant, and is managed as follows:

- where the investment manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default. The Company has a holding in a Chinese overseas corporate bond issued by Yanlord. The issuer currently has a credit rating at Moody's of B1;
- investment transactions are carried out with a large number of brokers, whose credit rating of which is taken into account so as to minimise the risk to the Company of default;
- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to the custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Manager's Compliance department carries out periodic reviews of the custodian's operations and reports its finding to the Manager's Risk Management Committee. 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;
- cash is held only with reputable banks with high quality external credit enhancements.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Credit risk exposure

In summary, compared to the amounts included in the Balance Sheet, the maximum exposure to credit risk at 31 December was as follows:

	2012		2011	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Investments designated at fair value through profit or loss	381,705	8,728	236,609	12,403
Current assets				
Cash at bank	4,532	4,532	5,930	5,930
Other receivables	884	884	738	738
	387,121	**14,144**	**243,277**	**19,071**

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

(iv) Gearing risk

The Company's policy is to increase its exposure to equity markets through the judicious use of borrowings. When borrowings are invested in such markets, the effect is to magnify the impact on shareholders' funds of changes, both positive and negative, in the value of the portfolio.

During the year the Company's borrowings were short-term loans, details of which can be found in note 12.

The loans are valued at amortised cost, using the effective interest rate method in the financial statements. The Board regulates the overall level of gearing by raising or lowering cash balances.

Fair value of financial assets

Investments held at fair value through profit or loss are valued at their quoted bid prices which equate to their fair values. The Directors are of the opinion that the financial assets are stated at fair value in the Balance Sheet and considers that this is equal to the carrying amount.

Fair values of financial liabilities

The fair value of borrowings as at the 31 December 2012 has been estimated at £13,268,000 which is the same as the carrying value due to their short term nature. At 31 December 2011 the fair value was £11,000,000 which was the same as the carrying value.

17. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt. The policy is that debt should not exceed 25% of net assets.

The Company's capital at 31 December comprises:

	2012 £'000	2011 £'000
Debt		
Borrowings under the multi-currency loan facility	**13,268**	**11,000**

	2012 £'000	2011 £'000
Equity		
Equity share capital	151,182	139,084
Retained earnings and other reserves	160,105	92,862
	311,287	**231,946**
Debt as a % of net assets	**4.26**	**4.74**

The Board, with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes account of the Manager's views on the market;
- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium);
- the need for new issues of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

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

The Company is subject to the following externally imposed capital requirements:

- the bank borrowings under the Company's credit facility with Scotiabank Europe PLC are not to exceed 25% of net assets as measured in accordance with the policies used in the annual financial statements;
- under the Company's Articles of Association borrowings must not exceed an amount equal to the adjusted total of capital and reserves.

These requirements are unchanged since last year, and the Company has complied with them during both the current and prior year.

The C shares are not included in the debt to equity ratio calculation until such shares are converted to Ordinary shares.

18. Related party transaction

Mr H Young is a director of Aberdeen Asset Management Asia Limited (AAM Asia) and Aberdeen Asset Management PLC (AAM). AAM Asia is a subsidiary of AAM. Aberdeen Private Wealth Management Limited has an agreement to provide management services to the Company, which it has sub-delegated to AAM Asia. AAM has an agreement to provide administration and company secretarial services to the Company. The terms of these agreements are outlined in notes 5 and 6.

19. Controlling party

In the opinion of the Directors on the basis of shareholdings advised to them, the Company has no immediate or ultimate controlling party.

20. Fair value hierarchy

IFRS 7 'Financial Instruments: Disclosures' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

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

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

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

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy as follows:

At 31 December 2012	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	372,977	–	–	372,977
Quoted bonds	b)	8,728	–	–	8,728
Net fair value		**381,705**	**–**	**–**	**381,705**

At 31 December 2011	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	224,206	–	–	224,206
Quoted bonds	b)	12,403	–	–	12,403
Net fair value		**236,609**	**–**	**–**	**236,609**

a) Quoted equities

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

b) Quoted bonds

The fair value of the Company's investments in corporate quoted bonds have been determined by reference to their quoted bid prices at the reporting date.

21. Events after the reporting period

On 25 January 2013 both bank loans were rolled over. At the signing of this report HK$81,842,000 and US$11,008,000 remained drawn down from the £15,000,000 facility with Scotiabank Europe PLC at fixed interest rates of 1.5768% and 1.5535% respectively. Both are repayable on 25 March 2013.

The Company issued 60,000,000 C shares on 16 November 2012. Under the terms of the C share Prospectus, issued on 22 October 2012, the C shares would be converted to Ordinary shares once 80% of the issue proceeds had been invested. The Directors' determined that the conversion ratio would be calculated on 11 January 2013 with the conversion date of 4 February 2013. On the basis of the conversion ratio, 0.5092 Ordinary shares were issued for each C share. As a result, 30,552,000 Ordinary shares were issued on 4 February 2013.

Subsequent to the year end the Company issued 2,650,000 Ordinary shares for a total consideration of £6,106,000 excluding transaction costs.

Marketing Strategy

Aberdeen Asian Income Fund Limited contributes to the marketing programme run by the Aberdeen Group ("AAM") on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by AAM. This contribution, which is reviewed annually, amounted to £192,000 for the year ended 31 December 2012.

The purpose of the programme is to communicate effectively with existing shareholders and gain more new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares.

These aims can be met in several ways:

Investor Relations Programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by AAM is distributed free of charge.

Public Relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The Marketing Programme is under the direction of AAM's Group Head of Brand, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

Aberdeen Asian Income Fund Limited has its own dedicated website: www.asian-income.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

It is intended that ongoing programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the Marketing Programme. Aberdeen's Group Head of Brand reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0500 00 00 40 or our Broker Desk on 0800 592 487 (Institutions and IFAs).

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0500 00 00 40

Alternatively, internet users may email AAM at inv.trusts@aberdeen-asset.com or write to 10 Queen's Terrace, Aberdeen AB10 1YG.

How to Invest in Aberdeen Asian Income Fund Limited

Direct

Investors can buy and sell shares in Aberdeen Asian Income Fund Limited directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children, Investment Trust Share Plan and Investment Trust ISA.

Investor Warning

The Board has been made aware by Aberdeen Asset Management (Aberdeen) that some investors have received telephone calls from people purporting to work for Aberdeen, 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 Aberdeen and any third party making such offers has no link with Aberdeen. Aberdeen never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, they should not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided under the Corporate Services heading on this page.

Suitable for Retail

The Company's shares are designed for private investors in the UK (including retail investors), professional-advised private clients and institutional investors who seek income and capital growth from investment in global markets and who understand and are willing to accept the risks of exposure to equities. Private investors should consider consulting an independent 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.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Aberdeen Asian Income Fund Limited. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) 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 AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Aberdeen Asian Income Fund Limited 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%) 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 AAM 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.

Stocks and Shares ISA

An investment of up to £11,280 can be made in the tax year 2012/2013 and £11,520 in the tax year 2013/2014.

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. 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 us which can be invested in Aberdeen Asian Income Fund Limited while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

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

How to Invest in Aberdeen Asian Income Fund Limited continued

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.

Investment Company Information

If investors would like details of Aberdeen Asian Income Fund Limited or information on the Children's Plan, Share Plan, ISA or ISA Transfers please telephone 0500 00 00 40, e-mail to inv.trusts@aberdeen-asset.com or write to:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0500 00 00 40

Details are also available on www.invtrusts.co.uk

Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times.

For internet users, detailed data on Aberdeen Asian Income Fund Limited including price, performance information and a monthly fact sheet is available from the Company's website (www.asian-income.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively you can call 0500 00 00 40 for trust information.

For further information concerning any direct certificated shareholding, please contact the Company's registrars:

Capita IRG (Offshore) Limited
PO Box 532
St Helier
Jersey JE4 5UW

Tel: 01534 847 000
e-mail ssd@capitaregistrars.com

Tel: 0871 664 0300
(calls cost 10p a minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri)
Tel International: (+44 208 639 3399)

Literature Request Service

For literature and application forms for the Manager's investment company products, please contact:

Telephone: 0500 00 40 00
Email: aam@lit-request.com

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0500 00 00 40

The information on pages 58 to 60 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority.

Glossary of Terms and Definitions

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

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

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

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

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

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

Ordinary Shares
The Company's Ordinary shares give shareholders the entitlement to all of the capital growth in the Company's assets and to all the income from the Company that is resolved to be distributed. The Ordinary shares are in registered form and traded on the London Stock Exchange's Main Market.

Subject to the Articles of Association, on a show of hands every registered holder of shares (a shareholder) who is present in person (or, being a corporation, by representative) shall have one vote. On a poll every shareholder present in person (or, being a corporation, by representative) or by proxy shall be entitled to one vote in respect of each share held by him. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares.

Ongoing charges (Total Expense Ratio)
Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard method.

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

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

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

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

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

Warrants
Each of the Company's Warrants confers the right to subscribe in cash for one Ordinary share at a price of 120p. The Final Warrant Subscription Date has been set for the twentieth business day after the despatch of this Annual Report. The Final Subscription Date will therefore be 8 May 2013. The Warrants are in registered form and traded on the London Stock Exchange's Main Market.

Notice of Annual General Meeting

Notice is hereby given that the seventh Annual General Meeting of Aberdeen Asian Income Fund Limited will be held at No.1 Seaton Place, St Helier, Jersey JE4 8YJ, at 9.30 a.m. on 9 May 2013 for the following purposes:

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive the Directors' report and financial statements for the year ended 31 December 2012, together with the Auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report.
3. To re-elect Dr A Armstrong as a Director.
4. To re-elect Mr H Young as a Director.
5. To re-appoint Ernst & Young LLP as independent Auditor and to authorise the Directors to agree their remuneration.

Special Business

As special business, to consider the following resolutions, of which resolutions 6, 8 and 9 will be proposed as special resolutions and resolution 7 as an ordinary resolution:

6. THAT, the Company be and is hereby generally and unconditionally authorised in accordance with the Articles of Association to make market purchases on a stock exchange of and to cancel or hold in treasury Ordinary shares of no par value in the capital of the Company ("Ordinary shares"), provided that:
   a) the maximum number of Ordinary shares hereby authorised to be purchased is 14.99 per cent. of the issued share capital of the Company as at the date of the passing of this Resolution;
   b) the maximum price which may be paid for an Ordinary share shall not be more than the higher of (i) an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary share taken from the Official List for the 5 business days immediately preceding the day on which the Ordinary share is purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;
   c) the minimum price which may be paid for an Ordinary share is 1 pence;
   d) the Company be authorised to purchase Ordinary shares out of its unrealised capital or revenue profits less its capital or revenue losses, whether realised or unrealised; and,
   e) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2014 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time.

7. THAT, the Company be and is hereby generally and unconditionally authorised to hold Ordinary shares, redeemed or purchased, as treasury shares as permitted pursuant to and in accordance with Article 58A and 58B of the Companies (Jersey) Law 1991 as amended or to be cancelled.

8. THAT, the Company be and is hereby generally and unconditionally authorised in accordance with the Articles of Association to make market purchases of and to cancel Warrants to subscribe for Ordinary shares of no par value in the capital of the Company ("Warrants"), provided that:
   a) the maximum number of Warrants hereby authorised to be purchased is 14.99 per cent. of the Warrants in issue as at the date of the passing of this resolution;
   b) the maximum price which may be paid for a Warrant shall not be more than the higher of (i) an amount equal to 105 per cent. of the average of the middle market quotations for a Warrant taken from the Official List for the 5 business days immediately preceding the day on which the Warrant is purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;
   c) the minimum price which may be paid for a Warrant is 1 pence;
   d) the Company be authorised to purchase Warrants out of its unrealised capital or revenue profits less its capital or revenue losses, whether realised or unrealised; and,

e) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2014 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time.

9. THAT, for the purposes of paragraph 1 of Article 10 of the Company's Articles of Association, the Company may issue shares up to a maximum amount of 18,438,434 shares representing 10% of the total number of shares in issue as at the date of this resolution, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution) at the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2014 or eighteen months from the date of this resolution but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require shares to be issued after such expiry and the Directors of the Company may issue shares in pursuance of any such offer or agreement as if such expiry had not occurred.

No.1 Seaton Place
St Helier, Jersey
JE4 8YJ
9 April 2013

By order of the Board
Aberdeen Private Wealth Management Limited
Secretaries

Notes:

a) A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.

b) Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to The Registrars, Aberdeen Asian Income Fund Limited, Capita Registrars, PXS, 34 Beckenham Road, Beckenham Kent BR3 4TU so as to arrive not less than forty eight hours before the time fixed for the meeting.

c) In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than forty eight hours before the time fixed for the meeting (or, in the event that the meeting be adjourned, on the register of members forty eight hours before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than forty eight hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.

d) Notes on CREST Voting.
CREST Members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
In order for a proxy appointment or instruction made using the CREST system to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 9.30am on 7 May 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications Host) from which the issuer's agent is able to retrieve the message.
CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal systems timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or CREST sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s)) takes(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual.
The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case, a proxy form must be received by the Company's registrars no later than 9.30am on 7 May 2013.

e) Shareholders are advised that unless otherwise provided, the telephone numbers and website addresses which may be set out in this Notice or the Form of Proxy/Letter of Direction are not to be used for the purpose of serving information or documents on the Company including the service of information or documents relating to proceedings at the Company's Annual General Meeting. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's shares already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.

f) No Director has a service contract with the Company.

g) The Register of Directors' interests is kept by the Company and available for inspection.

h) As at 27 March 2013 (being the last business day prior to the publication of this notice) the Company's issued share capital comprised 184,384,346 Ordinary shares of no par value. Each Ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 27 March 2013 was 184,384,346.

i) There are special arrangements for holders of shares through the Aberdeen Share Plan and ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

Corporate Information

Directors
Peter Arthur, Chairman
Andrey Berzins, Audit Committee Chairman
Duncan Baxter, Senior Independent Director
Charles Clarke (*appointed 29 March 2012*)
Ana Armstrong
Hugh Young

Manager, Secretary & Registered Office
Aberdeen Private Wealth Management Limited
No.1 Seaton Place
St Helier
Jersey JE4 8YJ

Registration Number: 91671

Investment Manager
Aberdeen Asset Management Asia Limited
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Singapore 049480

Registrars
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PO Box 532
St Helier
Jersey JE4 5UW

Tel: 01534 847 000

Transfer Agents
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 0871 664 0300
(calls cost 10p a minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri)
Tel International: (+44 208 639 3399)

e-mail ssd@capitaregistrars.com
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Independent Auditor
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Liberation House
Castle Street
St Helier
Jersey JE1 1EY

Website
www.asian-income.co.uk

Your Company's Capital History

Issued Share Capital at 31 December 2012

151,182,346	Ordinary shares of no par value
3,574,043	Warrants to subscribe for Ordinary shares
60,000,000	C shares of no par value

Capital History

20 December 2005	110,000,000 Ordinary shares placed at 100p per share and 22,000,000 Warrants issued at 10p per Warrant. Share issue applicants were entitled to purchase Warrants on the basis of one Warrant for every 10 Ordinary shares applied for.
Year to 31 December 2007	800,000 Ordinary shares of no par value purchased in the market for cancellation
Year to 31 December 2008	760,000 Ordinary shares of no par value purchased in the market for cancellation
Year to 31 December 2009	1,350,000 Ordinary shares of no par value issued for cash at a premium to the prevailing net asset value
Year to 31 December 2010	7,199,001 Ordinary shares of no par value issued for cash at a premium to the prevailing net asset value
11 May 2010	160,999 Warrants exercised resulting in the issue of 160,999 new Ordinary shares
13 October 2010	885,062 Warrants exercised resulting in the issue of 885,062 new Ordinary shares
16 May 2011	14,793,009 Warrants exercised resulting in the issue of 14,793,009 new Ordinary shares
5 October 2011	5,800 Warrants exercised resulting in the issue of 5,800 new Ordinary shares
Year to 31 December 2011	6.25 million Ordinary shares of no par value issued for cash at a premium to the prevailing net asset value per share
24 May 2012	1,766,974 Warrants exercised resulting in the issue of 1,766,974 new Ordinary shares
15 October 2012	814,113 Warrants exercised resulting in the issue of 814,113 new Ordinary shares
16 November 2012	60,000,000 C shares issued by way of a Placing and Offer for Subscription
Year to 31 December 2012	9,517,388 Ordinary shares of no par value issued for cash at a premium to the prevailing net asset value per share
4 February 2013	60,000,000 C shares converted into 30,552,000 new Ordinary shares

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