Henderson Asian Growth Trust plc

Report and Financial Statements for the year ended 31 December 2012

Henderson Asian Growth Trust plc

Change of Name	• Subject to the shareholders General Meeting to be held on 15 March 2013, to be known as Asian Total Return Investment Company plc.
Objective	• Henderson Asian Growth Trust plc seeks a high rate of total return from companies operating primarily in the Asian region excluding Japan and Australasia.
Investment Policy	• The Company has sought to generate returns across the region primarily from focused, bottom-up stock selection of mispriced growth stocks. • The portfolio typically has had 40 to 60 holdings. • The Company may borrow to enhance performance but borrowings will not exceed 30% of net asset value. • The Company will hold no more than 15% of its gross assets in any single investment. (Refer to page 13 for further details)
Results	• NAV Total Return of 22.1% Share Price Total Return of 23.7%.

Key data

Per ordinary share	**31 December 2012**	31 December 2011	Change %
Net asset value#	**201.2p**	167.5p	+20.1
Share price#	**185.0p**	152.3p	+21.5
Discount	**8.1%**	9.1%	
Total return/(loss)†	**35.6p**	(51.2)p	
Net revenue return	**2.9p**	3.6p	–19.4
Dividend per ordinary share in respect of the year	**3.25p**	3.25p	0.0
Gearing*	**0.0%**	4.1%	

#Excluding reinvested income.

†See page 28.

*Defined here as borrowings, less cash balances and deposits, as a percentage of shareholders' funds.

Performance

To 31 December 2012	1 year %	3 years %	5 years %	10 years %
Net asset value total return(1)	22.1	16.3	18.1	255.2
Share price total return(1)	23.7	16.9	24.9	260.7
Peer group net asset value total return(2)	19.0	28.1	27.3	330.0
MSCI All Country Asia ex-Japan Index(3)	17.3	21.2	23.2	299.0

(1) Source: Morningstar for the AIC using cum income net asset value for one and three years and capital net asset value plus income reinvested for all other periods.
(2) Source: Morningstar for the AIC. The performance of a group of leading investment trust competitors (weighted average).
(3) Source: Datastream (gross income reinvested).

Dividend

An interim dividend, in lieu of a final dividend, of 3.25p (2011: 3.25p) per ordinary share will be paid on 22 March 2013 to shareholders on the Register of Members at the close of business on 8 March 2013. The Company's shares were quoted ex-dividend on 6 March 2013.

Historical record

31 December	Net revenue return per ordinary share in pence	Dividend in respect of the year in pence	Total net assets in £'000	Net asset value per ordinary share in pence
2012	**2.9**	**3.25**	**298,076**	**201.2**
2011	3.6	3.25	269,417	167.5
2010	3.3	2.90	357,570	221.5
2009	2.2	1.90	290,451	179.9
2008	2.4	2.40	181,687	112.5
2007	2.2	2.00	312,560	183.5
2006	1.4	1.30	248,987	135.5
2005	1.9	1.85	213,952	114.8
2004	1.5	1.40	170,911†	88.5†
2003	1.3	1.00	183,774†	90.3†

†Restated – The Company changed its accounting policy for the valuation of listed investments and the recognition of dividends payable in accordance with the provisions of FRS 26 – Financial Instruments: Recognition and Measurement, and FRS 21 – Events after the balance sheet date.

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Chairman's Statement

David Robins

Although your Company's portfolio performed well in the second half of last year when equity markets rallied and your portfolio manager's focus on mispriced growth stocks was particularly successful, your Board's concern about the poor long term record triggered a review and that review concluded that it was in the best interests of shareholders to change investment manager.

Performance

Following the relatively modest performance in the first half, the Company rallied strongly in the second half of 2012, generating a share price total return of 23.7% and a net asset value total return of 22.1% for the full year. This performance compared with a rise in the MSCI All Country Asia ex-Japan Index (sterling adjusted) of 17.3% and a peer group average Net Asset Value (NAV) total return of 19.0%.

Dividend

The level of income received by the Company declined from the relatively high levels generated from normal dividends and stock dividends in 2011. As it is possible to draw upon the Company's revenue reserves to pay dividends, the Board has decided to utilise some of those reserves to maintain the dividend at 3.25p per share, which will be payable on 22 March 2013.

Discount Control and Share Repurchases

In order to maintain the discount at a level of 10% or less, the Company bought back and cancelled 12,706,126 shares during the second half of the year. Notwithstanding this activity, by late in the year the average discount for the period had widened beyond 10%, as the share price failed to keep up with the rise in NAV per share in low volumes of trading. Since a tender offer became likely anyway as part of the selection of a new investment manager (see below) share repurchases were suspended. The discount subsequently narrowed as announcements of the Company's reorganisation were made public.

Fees and Expenses

Despite the improved performance during the course of 2012, the Company's performance over the rolling three year period, still lagged the Index by 4.9 percentage points. Accordingly, no top up or performance fee is due to be paid.

Total management fees for the year rose to £1.840m compared with £1.125m the year before, largely as a result of the clawback of £875,000 in 2011.

Ongoing Charges, the new definition of expenses as proposed by the Association of Investment Companies, exclude both financing costs (ie the costs of loans, debentures or CFD's used for gearing purposes), performance fees and non recurring expenses. The Company's Ongoing Charges in 2012 amounted to 0.9% of assets under management compared with an average for the peer group of 1.2%.

Long Term Performance

As has been noted in previous Annual Reports, your Board has been particularly concerned about the performance of the Company and the volatility of returns to shareholders. The intention of the Board has been for the Company to provide capital growth with a degree of capital protection and whilst there have been periods of outstanding performance, the overall record has not been good.

After a very poor year in 2011, the net asset value total return was well behind both the Index and the average of the peer group over one, three and five years. The share price total return was also behind the Index and the peer group over one and five years, albeit in line with the Index but still behind the peer group over three years. There was one mitigating factor in that the Company focuses on growth stocks, and markets over the last few years have been focused on income.

The Company's fee structure was specifically devised to incentivise capital protection in falling markets. Performance in 2011 meant that there was a significant claw back of management fees of £875,000. The Board was disappointed that the Company's investment manager, Henderson Global Investors, did not do more to address this underperformance. Accordingly, the Board decided to set a twelve month time horizon for an improvement in performance, and relayed this to the manager.

One of the other key considerations was that, whilst the Board was supportive of the portfolio manager's approach to investment, which differentiates the

Chairman's Statement
continued

Company, the Board had been concerned for some time that the investment manager had too few analytical resources based either in London or in the Asia region to support the portfolio manager in assessing the prospects for potential investments, the outlook for companies held in the Company's portfolio or indeed the market and macro economic outlook.

By the middle of 2012, performance had improved somewhat compared with the Index and the peer group, but still lagged over the one, three and five year time horizons, and the Board's concern at the investment manager's lack of action was increasing. As a result, the Board decided to undertake a strategic review of the Company's investment management arrangements, in conjunction with Winterflood, the Company's broker, and Mercer, the global investment consultant.

Strategic Review

The Company's strategic review was announced to the market on 22 October 2012. A thorough review of potential investment managers internationally was undertaken by Mercer, including highly rated managers in the US, Europe and Asia. Winterflood also issued an announcement requesting proposals from management houses to take over the investment management of your Company. A sub-committee of the Board, comprising Hugh Aldous, David Brief and myself, then considered the 26 proposals received. In combination with the extremely useful analysis from Mercer and input from Winterflood, these proposals were whittled down to a short list of potential investment managers, who were then interviewed. Finally, we reduced this number to three, plus Henderson, who were asked to present to the full Board.

The result of this process is that the Board has decided to transfer the investment management of the Company to Schroders. This team is highly rated by Mercer, has had an outstanding performance record over three and five years, and is one of the best of those considered in protecting capital in down markets.

The Company's assets will be managed by Robin Parbrook and King Fuei Lee, two of Schroders' senior portfolio managers who are based in Hong Kong and Singapore respectively. They currently jointly manage Schroder ISF Asia Total Return, an open-ended fund. It has US$1.9 billion of assets and has maintained a top quartile performance record since its inception in November 2007. From inception to 30 November 2012 Schroder ISF Asia Total Return generated an annualised 12.9% return for its investors (in US$) and low volatility of returns with annualised standard deviation of 21.1% (Source: Lipper, Schroders). The Schroder ISF Asia Total Return Strategy is currently closed to investment and has not been widely available to retail investors. The Board believes there is investor interest in the ATR strategy in a closed-end form.

The Board was very impressed both by the strength and depth of Schroders' research team in Asia and by the rigorous and innovative approach to portfolio construction and capital protection employed by the portfolio managers. The investment strategy employed by ISF Asia Total Return will be modified for the Company to accommodate a bias towards small and mid-cap companies, which is made practicable by the closed-end nature of the Company.

Proposals to Shareholders

Shareholders were sent a circular on 20 February 2013 which sets out the proposals on which they will have an opportunity to vote at a General Meeting to be convened on 15 March 2013. At the time of writing, the outcome of the vote is unknown, but the Board is proposing the following:

That Schroders be appointed as Manager of the Company and that approval be given to change the Company's investment policy to one which seeks a high rate of total return from companies operating primarily in Asia, including Australasia but excluding Japan. The investment strategy to be adopted by the Company will also provide downside protection. If shareholders approve the investment policy change summarised above, the Company would actively defend a discount to NAV on the Company's shares of no greater than 9%, in normal market conditions, through the use of the Company's share buyback authorities. Shareholders would have the opportunity to vote on the Company's continuation every three years, with the first opportunity being at the AGM in 2016.

Schroders has agreed to waive its proposed base management fee and any performance fee in respect of the first six months of its appointment. The new fee

Chairman's Statement
continued

arrangements will then be a management fee of 0.65% and an absolute performance fee of 10% over an annual hurdle of 107% subject to a 2% cap and a high watermark.

In addition to proposing the changes described above, the Board will seek shareholder approval for a tender offer for up to 50% of the Company's shares in issue at Formula Asset Value (namely NAV less applicable costs of conducting the tender offer, including portfolio realisation costs).

The level of the tender may seem surprising, but, during the course of the Strategic Review, it became apparent that certain of the Company's larger shareholders were seeking to realise the value of their investment at close to NAV. In order to allow the Board to conclude the review process with the necessary shareholder support, the Board deemed it necessary to conduct a tender offer of the size proposed.

It has been heartening to see that many of the closed-end fund sector analysts have supported the move of the Company's investment management to Schroders. The Board hopes that shareholders' interest in the attractive and proven investment strategy to be implemented by Schroders, following their appointment, will result in the tender offer being undersubscribed.

The Board believes that the proposed tender offer combined with the appointment of Schroders and the proposed revisions to the Company's investment policy are all in the best interests of shareholders. Together they will provide shareholders with an opportunity to participate in a successful absolute return focused strategy which is differentiated from all other closed-end Asian investment companies while allowing shareholders wishing to realise their investment in the Company to do so.

Outlook

With fears over a break up of the Euro zone having receded and the "fiscal cliff" in the USA having been avoided, at least for the time being, markets heaved a sigh of relief and rallied strongly at the beginning of 2013. There are still many uncertainties, but the economic outlook is looking somewhat more positive in the US, whilst growth in China seems to have turned a corner, Japan has adopted more expansionary fiscal and monetary policies and there continue to be expectations of a better growth outlook throughout the Asian region.

On the assumption that there will be a new Manager of the Company this year, there will be significant restructuring of the portfolio in line with the new investment policy, as well as tactical hedging of markets which the new portfolio managers feel may be overbought, along with strategic hedging of positions in countries where the portfolio managers have a negative economic outlook. Perhaps the greatest risks this coming year will be around potential overheating in some of the region's economies and the re-emergence of inflation, given the degree of monetary easing which has taken place globally over the last five years. However, there seems to be a sense that the bull market in bonds, particularly government issues, is running out of steam, and that the improving economic prospects generally are positive for equities, and particularly for companies exhibiting sound growth credentials.We believe, therefore, that the stock picking prowess of Robin Parbrook and King Fuei Lee, who we propose will take over the Company's management, coupled with judicious downside protection, will generate for shareholders a superior performance over the medium to long term.

David Robins
Chairman
11 March 2013

Portfolio Manager's Review

Market Background

Asian stock markets were volatile in 2012 but finished the year strongly with the MSCI All Countries Asia ex-Japan total return Index rising 17.3% in sterling terms over the 12 month period.

Global equity markets rallied early in 2012 as the European Central Bank announced measures to provide cheap liquidity to the region's struggling banks and the crisis torn Greek economy received a second round of international support. However, optimism that Europe may finally be getting to grips with its problems was soon replaced by fears that Greece would face an imminent exit from the Euro following inconclusive elections and a further deterioration in its economy. European problems deepened further as it became clear that the crisis facing Spain's banks was much worse than originally anticipated and sharply rising sovereign bond yields across the "periphery" of the European Union threatened to engulf Italy. In the US, employment and income growth data weakened as the economy lost momentum despite continued aggressive easing by the Federal Reserve. Chinese and Indian growth in GDP and industrial production also fell as previous policy tightening took effect, the outlook for exports and industrial profits deteriorated and policy makers remained constrained by high inflation rates.

MSCI Indices	2012 market movement local currency %	sterling adjusted (£) %
Asia excluding Japan	22.7	17.3
China	23.1	17.7
Hong Kong	28.2	22.6
India	25.9	20.4
Indonesia	5.2	0.6
Korea	21.5	16.1
Malaysia	14.3	9.2
The Philippines	47.6	41.1
Singapore	30.9	25.2
Taiwan	17.7	12.5
Thailand	34.9	29.0
Vietnam*	17.7	13.6

*Ho Chi Minh Stock Index

The growing strains in the global economy led to a sharp sell-off in markets in May with the low point for the year being reached in early June. However, as the third quarter began, a series of policy measures across the major economies led to a recovery in markets that gathered momentum over the remainder of the year. In late July, European Central Bank President Mario Draghi made it clear that he would do "whatever it takes" to preserve the Euro currency area. This was interpreted by investors as an open ended commitment to provide support for the sovereign debt markets and banking system of the Euro area. The sovereign bond yields of Italy, Spain and other struggling Euro countries registered sharp and sustained falls in response to this commitment, supporting the idea that the Euro area may be able to find a way through its difficulties. In the US, the Federal Reserve Bank signalled its intention to extend its programme of bond purchases or quantitative easing and bottom up data, particularly on the important US housing market, suggested that the economy may have regained some momentum during the summer months.

There were also a number of important developments in China and India. Monetary and fiscal policies were loosened in China as it prepared for the transition to a new generation of leaders in December. Lower rates of inflation led to rate cuts in June and early July together with increasingly aggressive "fine-tuning" of policies to support the economy and property market. Overall credit growth began to pick up in September and at the same time the government announced an acceleration in infrastructure projects equivalent to around 2% of GDP. Housing transaction volumes also began to pick up leading to increased optimism that the overall economy may have reached a turning point. In India, the key developments were largely political. A major cabinet reshuffle led to the appointment of a new finance minister in July and the announcement of a number of important reforms in September. These reforms included a reduction in government funded fuel subsidies and measures to encourage greater foreign investment in the retail, aviation and broadcasting sectors. There were also

Portfolio Manager's Review
continued

new measures designed to speed up infrastructure investment. Together, this led to increased optimism regarding the government's commitment to address India's fiscal and current account deficits as well as to support higher levels of investment in order to drive economic growth.

Southeast Asia remained a relative safe haven throughout the year. The Philippines outperformed the rest of the region as GDP growth surprised positively and the government made progress with its programme to kick start infrastructure spending. Thailand continued to rebound strongly from the devastating floods that hit the economy in 2011 and the recovery broadened out to consumption and corporate investment as profits and wages continued to grow. The strength of the Thai Baht and Philippine Peso allowed policymakers to maintain low interest rates in both countries without stoking fears of inflation. Indonesia underperformed the rest of its ASEAN peers and Asian markets in general. Commodity exports slowed as the Chinese and wider global economy faltered leading to a weaker currency and fears that Bank of Indonesia may need to tighten monetary policy.

Performance Analysis

The estimated attribution of the portfolio's performance as between asset allocation and stock selection relative to the Index, and the impact of other factors, as listed, to explain the movement of net asset value over the year are shown in the table below.

Year to 31 December 2012	Asset Allocation %	Stock Selection %	Contribution %	Comments
China	0.2	-0.1	0.1	Zhuzhou, Sands, CITIC Secs helped. Gome, Baidu negative.
Hong Kong	-0.3	1.7	1.4	Prada, China Overseas Land.
Indonesia	0.0	-0.4	-0.4	
India	-0.1	2.1	2.0	Tata Motors, Yes Bank, Jubilant Foodworks.
South Korea	-0.2	3.2	3.0	Hana Tour, Gamevil.
Malaysia	0.0	-1.2	-1.2	AirAsia, CIMB.
The Philippines	-0.2	0.1	-0.1	
Singapore	-0.3	-0.4	-0.7	
Thailand	0.4	1.2	1.6	CP All.
Taiwan	0.4	-2.1	-1.7	HTC, Foxconn Technology.
Other	-0.6	0.0	-0.6	
Total ex Gearing	**-0.7**	**4.1**	**3.4**	
Net Gearing	1.3	0.0	1.3	Gearing helped in a rising market.
Share Buy-back	0.9	0.0	0.9	Share buybacks at a discount to NAV.
Fees and Expenses	-0.8	0.0	-0.8	
Total	**0.7**	**4.1**	**4.8**	

Portfolio Manager's Review

continued

Performance

The Company was ahead of the benchmark MSCI All Countries Asia Pacific excluding Japan Index in the year ending December 2012.

In South Korea, smartphone game publisher Gamevil and package holiday operator Hana Tour Service were strong as they continued to benefit from their exposure to new, high growth areas of consumer spending. Similarly, in India, Jubilant Foodworks, the franchise holder of Domino's Pizza and Baskin Robbins, benefitted from a move towards a more Western lifestyle among middle class Indians. Performance also benefitted from holdings in Jaguar Land Rover owner, Tata Motors and the rapidly growing finance company Yes Bank. Thailand was helped by holdings in convenience store operator CP All as well as Bangkok Bank as both companies delivered a strong rebound in earnings following last year's floods. Chinese property shares and luxury goods retailer Prada were also strong performers.

The main negative was Taiwan where smartphone handset producer HTC was hit following disappointing sales. Elsewhere, the Company was hurt by a sharp fall in the stock price of Chinese electrical retailer Gome on poor results and Hong Kong clothing retailer Esprit after a series of senior management resignations.

The table below shows the principal five contributors to, and principal five detractors from, the Company's relative performance.

Principal contributors to relative return	Return %	Contribution to Company Performance versus the Index %
Prada	98.5	2.0
CP All	79.4	1.4
Hana Tour Service	84.8	1.3
China Overseas Land	74.1	1.2
Gamevil	58.7	1.1
Principal detractors to relative return	**Return %**	**Detraction from Company Performance versus the Index %**
Gome	-59.6	-1.6
Baidu	-16.8	-1.1
Dongfeng Motor	-12.7	-0.9
AirAsia	-27.5	-0.9
Adaro Energy	-27.1	-0.9

The following tables show the key stock positions versus the MSCI All Countries Asia ex-Japan Index at the beginning and end of 2012.

Top Ten Positions as at 1 January 2012	Company Holding %	Index Weight %	Active Weight %
Advanced Semiconductor	2.9	0.2	2.7
Dongfeng Motor	3.6	0.2	3.4
Hyundai Glovis	3.4	0.1	3.3
Zhuzhou CSR Times Electric	3.1	0.0	3.1
Agile Property	3.1	0.0	3.1
Baidu	3.0	0.0	3.0
Foxconn Technology	3.1	0.1	3.0
Yuanta Financial	3.1	0.2	2.9
Cheil Worldwide	2.8	0.0	2.8
Industrial and Commercial Bank of China	4.2	1.5	2.7

Top Ten Positions as at 31 December 2012	Company Holding %	Index Weight %	Active Weight %
Samsung Electronics	4.2	0.6	3.6
China Life Insurance	3.3	0.8	2.5
PetroChina	3.2	1.0	2.2
Zhuzhou CSR Times Electric	3.1	0.1	3.0
Baidu	3.1	0.0	3.1
CITIC Securities	3.0	0.1	2.9
SK Innovation	2.9	0.3	2.6
Hyundai Motor	2.7	1.1	1.6
Sands China	2.7	0.4	2.3
China Overseas Land	2.7	0.4	2.3

Portfolio Manager's Review

continued

Portfolio Positioning and Key Transactions

The Company has continued to favour businesses that will benefit from growth in spending by Asian consumers and remains heavily underweight the more mature sectors of the Asian economy. However, following the sell-off in markets in the second quarter of the year, a number of higher quality cyclical shares were added to the portfolio. A position was added in Korean refining and petrochemicals company SK Innovation, which has invested heavily in recent years to move into new higher margin businesses as well as building a successful upstream oil portfolio. In China, China Life Insurance and coal company China Shenhua were also added. These purchases were funded by complete sales of Sun Hung Kai Properties in Hong Kong, following accusations of senior management involvement in bribing government officials, as well as CITIC Pacific, which faced cost overruns at its new Australian iron ore mine. Taiwanese smartphone company HTC was also sold following poor results. A new position was added in Indian property developer DLF which is in the advanced stages of disposing of a number of non-core assets and has aggressive plans for further divestments over the next two years. A new position was also added in mall operator Wharf Holdings in anticipation of continued strength in its core Hong Kong properties as well as the launch of new malls in China.

The table opposite shows the principal five contributors to, and principal five detractors from, the Company's relative performance.

The Company retains significant exposure to China and Hong Kong as well as Korea and Thailand. Taiwan and Singapore are the largest underweight positions relative to the benchmark index.

Andrew Beal
Portfolio Manager
11 March 2013

Investment Trends and Outlook

Schroders believes that positive returns should be made in the year ahead albeit at a more subdued level than in 2012. Under Schroders' management, the Company will supplement the portfolio managers' stock picking ideas by hedging at least part of the market risk.

Schroders believes the scope for further market re-rating from these levels is limited by most Asian markets already being close to fair value, while macro-economic risks remain: Europe remains a work in progress, the US economic recovery is fragile, there are risks from an Abe-led Japan, and there are incipient bubbles in emerging market and low-quality bonds. Investor bullishness on equities is high, perhaps indicating another note of caution.

Given the strong moves in equity markets, Schroders believes that the time to be aggressively long has passed and that the search for returns should now include significant levels of caution, selectivity and discipline. On a more positive note, the cost of capital protection is the cheapest it has been since the 2008-09 financial crisis.

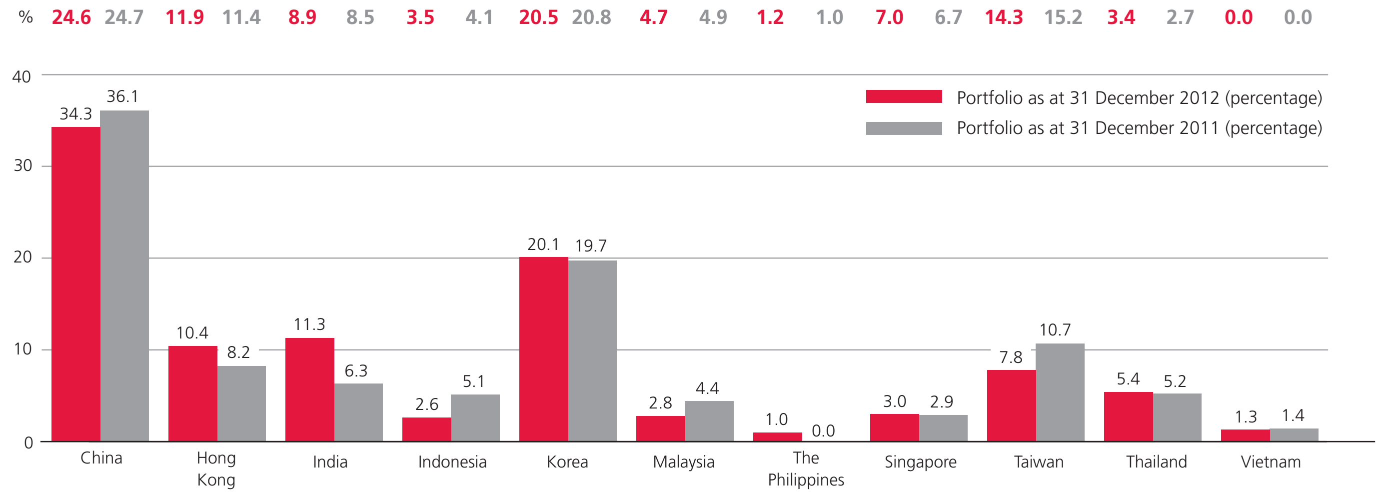
As at the date of this document, Schroders is most positive in relation to the prospects for ASEAN domestic companies (eg banks, retail, construction, and conglomerates) which should benefit from the revival of investment in the region; Hong Kong and Singapore property companies (whose shares are at significant discounts to NAV with strong pent-up demand for property and limited supply); and industrial companies with good yield backing operating in consolidated industries with significant barriers to entry.

Under Schroders' management, the Company will avoid sectors where the portfolio managers see little value, either because of the cycle (eg commodities), structural issues (eg North East Asian and Chinese banks, many of which have a history of poor corporate governance and government interference), or excessive valuations (eg highly-rated consumer staple stocks, and 'income' stocks such as REITs and telecoms where investor demand for yield has pushed up valuations).

Schroder Investment Management Limited
11 March 2013

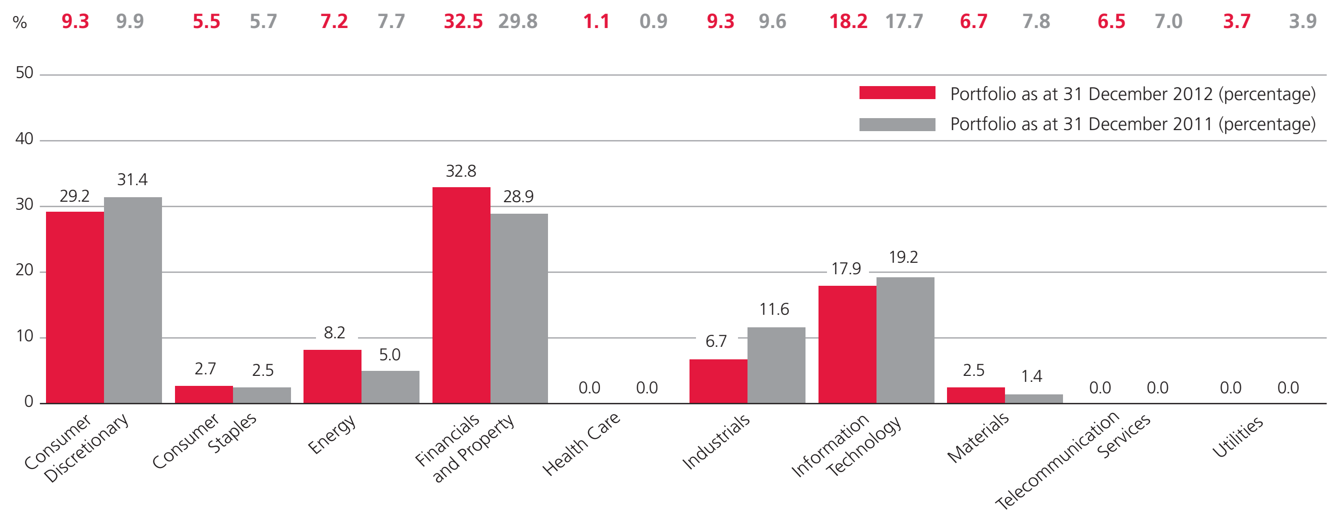
Geographical Analysis

Index weightings – MSCI All Country Asia ex-Japan Index country weightings. (Source: Factset and Henderson Global Investors)



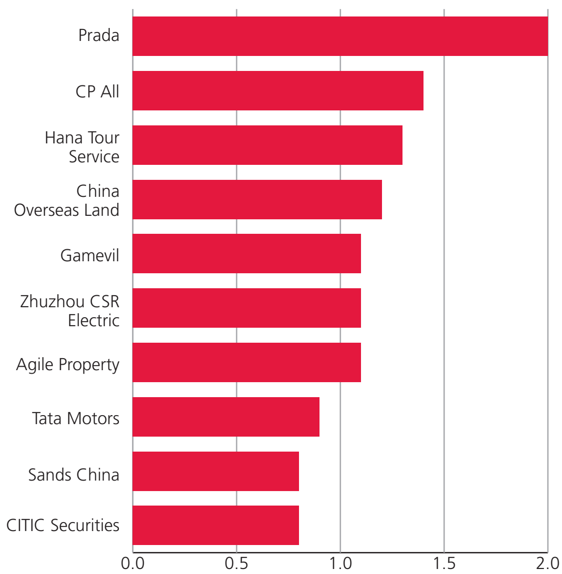
Sector Analysis

Index weightings – MSCI All Country Asia ex-Japan Index sector weightings. (Source: Factset and Henderson Global Investors)

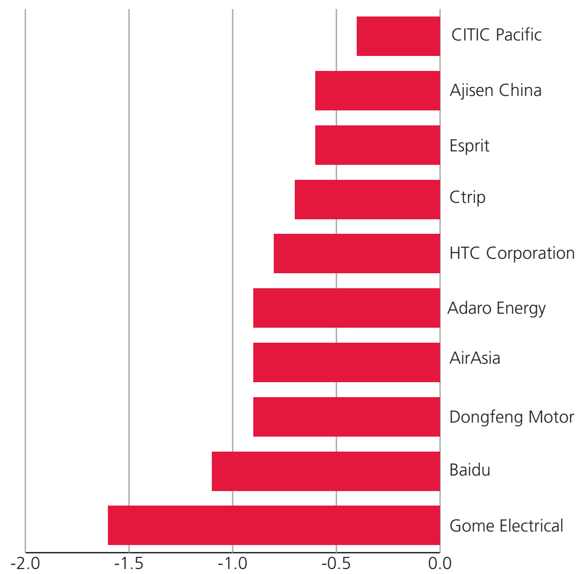


Key Stock Contributors and Detractors (relative total effect) (Source: Factset and Henderson Global Investors)

Principal contributors



Principal detractors



List and Valuation of Investments

at 31 December 2012

Stocks in **bold** are the twenty largest investments which by value account for 57.01% (2011: 61.8%) of the total value of investments.

	£'000	%
China		
Agile Property	6,893	2.3
Anhui Conch Cement	**7,481**	**2.5**
Baidu	**9,075**	**3.1**
China Life Insurance	**9,768**	**3.3**
China Shenhua Energy	6,190	2.1
CITIC Securities	**8,818**	**3.0**
Dongfeng Motor	**7,607**	**2.6**
Lenovo	5,877	1.9
Petrochina	**9,644**	**3.2**
Sands China	**8,199**	**2.7**
Tencent	**7,890**	**2.6**
Zhuzhou CSR Times Electric	**9,220**	**3.1**
Yum Brands	5,524	1.9
Total China	102,186	34.3
Hong Kong		
Cheung Kong	6,998	2.4
China Overseas Land & Investments	**8,146**	**2.7**
Prada	**8,008**	**2.7**
Wharf Holdings	**7,740**	**2.6**
Total Hong Kong	30,892	10.4
India		
Dish TV	2,984	1.0
DLF	6,044	2.0
Eredene Capital*	224	0.1
Exide Industries	2,974	1.0
Jubilant Foodworks	3,947	1.3
Phoenix Mills	3,253	1.1
Tata Motors	**7,719**	**2.6**
Yes Bank	6,425	2.2
Total India	33,570	11.3
Indonesia		
Bank Mandiri	**7,777**	**2.6**
Total Indonesia	7,777	2.6
Korea		
Cheil Worldwide	7,374	2.5
Gamevil	4,770	1.6
Hana Tour Service	5,715	1.9
Hyundai Glovis	6,871	2.3

*Listed on AIM in the UK.

	£'000	%
Korea (continued)		
Hyundai Green Food	5,955	2.0
Hyundai Motor	**8,251**	**2.7**
Samsung Electronics	**12,485**	**4.2**
SK Innovation	**8,606**	**2.9**
Total Korea	60,027	20.1
Malaysia		
AirAsia	3,883	1.3
Bursa Malaysia	201	0.1
CIMB	4,176	1.4
Total Malaysia	8,260	2.8
Philippines		
GT Capital	2,950	1.0
Total Philippines	2,950	1.0
Singapore		
Banyan Tree	3,368	1.1
Genting Hong Kong	5,630	1.9
Total Singapore	8,998	3.0
Taiwan		
Advanced Semiconductor	**7,555**	**2.5**
Foxconn Technology	5,932	2.0
Wowprime	3,877	1.3
Yuanta Financial	5,824	2.0
Total Taiwan	23,188	7.8
Thailand		
Bangkok Bank	**7,874**	**2.6**
CP All	**8,268**	**2.8**
Total Thailand	16,142	5.4
Vietnam		
Vietnam Enterprise Investments	4,013	1.3
Total Vietnam	4,013	1.3
Total Investments	**298,003**	**100.0**

Directors


David Robins


Hugh Aldous


David Brief


Christopher Keljik


Alexandra Mackesy


Struan Robertson

David Robins* (Chairman) was appointed to the Board in 2002 and became Chairman in April 2004. He began his career as an economist covering the Pacific Region and has a wide experience of Asian financial markets. After a series of senior management roles for the UBS Group in Tokyo, New York and Zurich, he became CEO of UBS Ltd in London and subsequently Head of Europe, Africa and the Middle East. Following the merger of UBS and SBC in 1998, he became CEO and then Chairman of ING Barings until 2000. A former Chairman of LCH Clearnet Ltd and director of RWC Partners LLP, he is currently Chairman of Oriel Securities Limited, Fidelity Japanese Values PLC and a director of Meggitt plc and SerraLux Limited. He is also Chairman of two charities.

Hugh Aldous*† was appointed to the Board in 2003. He is Chairman of Capita Sinclair Henderson Limited and SPL Guernsey ICC Limited. He is also a director of Polar Capital Holdings plc, Innospec Inc, and Elderstreet VCT plc and is a past member of the Competition Commission. He was a DTI Inspector with appointments from 1987 to 2003. He was a partner in Robson Rhodes LLP, latterly Grant Thornton LLP, up to 2008.

David Brief* was appointed to the Board in November 2007. He is the former Chief Investment Officer of BAE Systems Pension Funds Investment Management Limited. Mr Brief is one of the UK's most experienced pensions investment executives with almost thirty years in the investment business. He is a non-executive director of The City of London Investment Trust plc. He is an investment advisor to the Rio Tinto Pension Scheme.

*Independent Director and member of the Management Engagement Committee and the Nominations Committee, of which David Robins is Chairman.

†Member of the Audit Committee, of which Hugh Aldous is Chairman.

Christopher Keljik OBE*† was appointed to the Board in November 2007. He retired as a director of Standard Chartered plc in May 2005 after 29 years, during which time he held a number of senior positions working in London, Hong Kong, New York and Singapore in corporate finance, treasury and general management. Prior to his retirement, his responsibilities at Standard Chartered included its businesses in Africa, the Middle East, South Asia, the UK and the Americas. He is a Chartered Accountant and is also the Senior Independent director of Foreign & Colonial Investment Trust plc and a former director of Millennium & Copthorne Hotels plc and Jardine Lloyd Thompson Group plc.

Alexandra Mackesy*† was appointed to the Board in November 2008. She is a non-executive director of The Scottish Oriental Smaller Companies Trust Plc and RENN Universal Growth Investment Trust PLC. Since 2000, she has worked as a part-time consultant at Credit Suisse. Prior to this, she held posts in Hong Kong with Credit Suisse as Director, Head of Hong Kong and China Equity Research, JP Morgan as director, Asian Equity Research and with SBC Warburg/SG Warburg as director, Hong Kong Equity Research.

Struan Robertson*† was appointed to the Board in 2004. He is Chairman of Eredene Capital PLC, Senior Independent Director of Salamander Energy plc and a non-executive director of Group 5, a company listed on the Johannesburg Stock Exchange in South Africa. He is a former non-executive director of Tomkins plc, International Power plc, and Forth Ports plc. He was previously Group Chief Executive of the Wates Group Ltd and was Senior Independent Director of WS Atkins plc. He retired from BP in May 2000 where he was Senior Vice President Technology and Marketing following an international career during which he held posts as Executive Chairman of BP Asia Pacific, Chief Executive Oil Trading International and Chief Executive of BP Malaysia. He lived and worked in Asia between 1989 and 1997.

Investment Management

The portfolio is managed by Henderson Global Investors and Henderson Secretarial Services Limited is the Corporate Secretary to the Company. The current terms of appointment are given in the Report of the Directors on pages 15 and 16. If approved by shareholders at the General Meeting in March 2013, Schroders Investment Management Limited will take over the investment management and act as the Corporate Secretary of the Company. The terms of appointment of the new Manager are set out in the circular to shareholders dated 20 February 2013.

Report of the Directors

The directors present their report and the audited financial statements of the Company for the year from 1 January 2012.

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year ended 31 December 2012. The business review should be read in conjunction with the Chairman's Statement on pages 3 to 5 and the Portfolio Manager's Review on pages 6 to 9, which give a detailed review of the investment activities for the year and an outlook for the future.

Status

The Company is incorporated in England and Wales and domiciled in the United Kingdom (registered number 2153093), and was not dormant. It is an investment company as defined in Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010. It was required to seek HM Revenue & Customs ("HMRC") approval of its status as an investment trust under the above-mentioned Section 1158 every year, up to and including 1 January 2013. Approval of the Company's status as an investment trust has been received in respect of the year ended 31 December 2011 although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval.

From 1 January 2013 approval is by way of a one-off application for investment trust status for the year and the Company will continue to conduct its affairs in order to maintain this status. The Company has no employees.

The Company is not a close company.

The Company intends to continue to manage its affairs so that its investments fully qualify for inclusion in an ISA.

Investment objective

During the year under review the Company sought a high rate of total return from companies operating primarily in the Asian region, excluding Japan and Australasia, wherever they may be listed.

The portfolio was constructed without specific reference to any individual market's index or the regional composite index. However, the Company has measured its performance against the MSCI All Country Asia ex-Japan Index. While beating the Index is not an end in itself, comparison with the Index provides attribution analysis and consequent explanation and discussion of performance that is presented to each Board meeting.

Existing investment policy

(See the circular to shareholders dated 20 February 2013 for new investment policy)

- Asset allocation

  During the year under review, the Company has generated returns primarily from focused bottom-up stock selection of mispriced growth stocks. The portfolio manager targeted companies trading at a deep discount to their long term franchise value with the ability to beat market consensus earnings expectations over a one to two year time horizon. The Company invested in companies of all sizes and was able to take limited exposure to unlisted companies, with the Board's approval. The portfolio typically had 40 to 60 holdings with an average active position size of index weight (if applicable) plus 200 to 400 basis points.

- Dividend

  The Company aims to provide shareholders with a high rate of total return largely generated from capital growth, but is not constrained from also achieving a high dividend yield if conditions allow.

- Gearing

  Borrowing is utilised to enhance performance. Gearing will not exceed 30% of net asset value.

- General

  The Company will not invest more than 15% in any one company or group of related companies. Neither will the Company invest more than 15% of its gross assets in any other investment trust, investment company or collective vehicle.

  The Manager may utilise selected derivatives as approved by the Board (Index Futures and Options) to protect the capital invested in the portfolio.

Financial review

- Assets

  Total net assets at 31 December 2012 amounted to £298.1 million compared with £269.4 million at 31 December 2011, while the net asset value per ordinary share, excluding reinvested income, rose from 167.5p to 201.2p, an increase of 20.1%. The contributions to the share price can be seen in the table overleaf.

Report of the Directors
continued

		pence
Share price at 31 December 2011		152.3
Return derived from		
Index	23.7	
Attribution	4.8	
Gearing (includes cost of gearing)	1.7	
Buy-backs	1.3	
Fees and expenses*	-1.2	
Total from NAV		**30.3**
Return from changes in discount		2.4
Share price at 31 December 2012		**185.0**
Dividend reinvested		3.3
Share price and dividends		**188.3**

*Fees and expenses on an accounting basis

Note: attribution figures are based on the Company's returns gross of all fees and expenses on an accounting basis.

Both the preceding portfolio manager's Review and the performance analysis provide further detailed commentary on stock selection and the resultant country and sector exposures. In addition, the impact from gearing is shown in the table above and the performance analysis on page 7, while the principal five contributors to performance and the principal five detractors are shown on page 10.

Gearing parameters are set by the Board and are commented upon in the performance measurement and key performance indicators section which follows.

At 31 December 2012, the Company held 47 investments (2011: 45), as detailed on page 11.

- Total net return
  The total net return on ordinary activities after taxation for the year was £55.2 million, or 35.6p per share (2011: net loss of £82.6 million or 51.2p per share).

- Dividend
  In line with Section 1158 of the Corporation Tax Act 2010, the retention should not exceed 15% of the net revenue return. For the financial year under review, an interim dividend, in lieu of a final dividend, of 3.25p per share has been declared payable on 22 March 2013.

- Payment of suppliers
  The payment policy for the financial year ended 31 December 2012 was to obtain the best possible terms for all business and, therefore, there was no single policy as to the terms used. In general, the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 31 December 2012 (2011: £nil).

- Borrowings
  The Company's custodian provides an overdraft facility which allows the Company to borrow as and when it is appropriate. At 31 December 2012 the Company had no borrowings (2011: £11.1 million). The Company was not geared at the end of the year (2011: 4.1%).

  The Portfolio Manager utilised gearing, within the parameters set by the Board, whenever the portfolio was fully invested in shares offering attractive returns and interesting opportunities arose which the Portfolio Manager did not wish to fund through share sales. The Board monitors the level of gearing in the light of market conditions, and ensures that the Company is in compliance with the covenants attached to its borrowings at each of its meetings.

  The foreign currency borrowings are limited to 30% of the net assets of the Company.

- Future developments
  While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue the investment objective in accordance with the strategy outlined in the circular to shareholders dated 20 February 2013. Further comments on the outlook for the Company for the next twelve months are set out in the Chairman's Statement on pages 3 to 5.

- Going concern
  The assets of the Company consist mainly of securities which are readily realisable and the Company has adequate financial resources to continue in operational existence for the foreseeable future. For these reasons the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the Board has considered the guidance on this matter issued by the Financial Reporting Council in October 2009.

Performance measurement and key performance indicators
In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the manager, the Directors have taken into account the following key performance indicators:

Report of the Directors

continued

- Returns and Net Asset Value ("NAV")
  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the NAV and share price of the Company.

  Thus, the stock selection process and the results of that process are discussed in detail, whilst the Board also reviews the active weights within the portfolio (the extent to which holdings diverge from the Index), the contributions to returns of individual stocks, the exposure to particular sectors and issues around liquidity.

  The Company uses the MSCI All Country Asia ex-Japan Index for comparison and attribution analysis purposes, as detailed in the portfolio manager's Review on pages 6 to 9.

- Discount to NAV
  At each Board meeting, the Directors monitor the level of the Company's discount to NAV and review the average discount/premium for the Company's peer group.

  The Board has sanctioned the use of share buy-backs to enhance shareholder value. There were 12,706,126 shares bought back during the year.

  The Company publishes a NAV per share figure on a daily basis, through the official newswire of The London Stock Exchange. This figure is calculated in accordance with the Association of Investment Companies ("AIC") formula and is shown both including and excluding current financial year revenue. The NAV per ordinary share calculated within the year end financial statements includes current financial year revenue.

- Performance against the peer group
  The Company is included in the AIC Asia Pacific excluding Japan sector. The Directors view the comparison of performance against the peer group as more important than a comparison against the sector index, and accordingly scrutinise the relative performance of the Company closely at each Board meeting.

- Risk measures
  The Board takes account of the degree of risk that the portfolio manager is incurring in order to generate high returns, by reviewing at every Board meeting fundamental market and economic risks as well as tracking error, volatility, portfolio concentration and the information ratio.

Related party transactions

Other than the relationship between the Company and its Directors, the provision of investment management, accounting, company secretarial and administration services by wholly owned subsidiary companies of Henderson Group plc ("Henderson") was the only related party arrangement in place at the date of this report. Other than the fees payable by the Company in the ordinary course of business, there have been no material transactions with this related party which have affected the financial position or performance of the Company in the financial year.

Management arrangements

Throughout the year under review investment management, accounting, secretarial and administrative services were provided to the Company by Henderson and by BNP Paribas Securities Services.

The investment management fee has comprised a base fee and a performance fee. In calculating any performance fees payable, the Company's performance and the MSCI All Country Asia ex-Japan Index are both measured on a total return basis.

The chart overleaf provides a graphic illustration of how the management and performance fees were determined.

- The Base Fee
  The base fee was calculated in the first instance at the rate of 0.60% per annum of gross assets, calculated and paid at the rate of 0.15% per quarter. Gross assets were defined as the NAV per ordinary share on the calculation date at the end of the quarter multiplied by the weighted average number of shares in issue throughout the relevant period, plus bank borrowings less, where relevant, provision for dividends to be paid out.

  The base fee was subject to potential claw back. A claw back could have arisen in two circumstances; if there was an absolute fall in NAV or if there was underperformance relative to the index.

  In the case of an absolute fall in NAV, if, at the end of an annual period, the closing NAV per share was lower than the opening NAV per share by more than 2.5%, the "First Claw Back" provision applied. If rolling underperformance relative to the index exceeded 2.5%, the "Second Claw Back" provision applied.

Report of the Directors

continued

Rolling performance was based on a three year rolling average. The amount of the claw back would have been the greater of the fall in value or the value of underperformance, subject to a maximum claw back, in any accounting period, of half the basic fee for that period.

- Performance fee
  A performance fee was payable if changes in the value of the Company's assets outperformed changes in the index. The amount of the performance fee was dependent on the degree of this outperformance, which was measured in three 'bands'. The Band 1 performance fee, otherwise known as the 'Top Up Fee', was payable on outperformance of up to 2.0%, at the rate of 0.3% of gross assets. The Band 2 performance fee was payable on NAV per share outperformance of between 2.0% and 8.0% at the rate of 10% of outperformance in excess of 2.0%, and a further Band 3 performance fee on NAV per share outperformance at the rate of 20% of outperformance in excess of 8.0%. Band 2 and 3 performance fees were calculated on net assets.

  For any annual period, the combined total of the base fee plus any performance fees was capped at 2.5% of the net assets of the Company as at the end of that period.

  Band 1, Band 2 and Band 3 are calculated on a rolling three year performance basis.

  Over the period since 1 January 2010, on a rolling three year average, the Company has underperformed its Index by 1.5% as calculated in accordance with the formula set out in the management agreement. Therefore no performance fee is payable.

Details of the proposed change in Manager and their fees are set out in the circular to shareholders dated 20 February 2013.

Custody arrangements

Global custody services are provided by HSBC Bank plc.

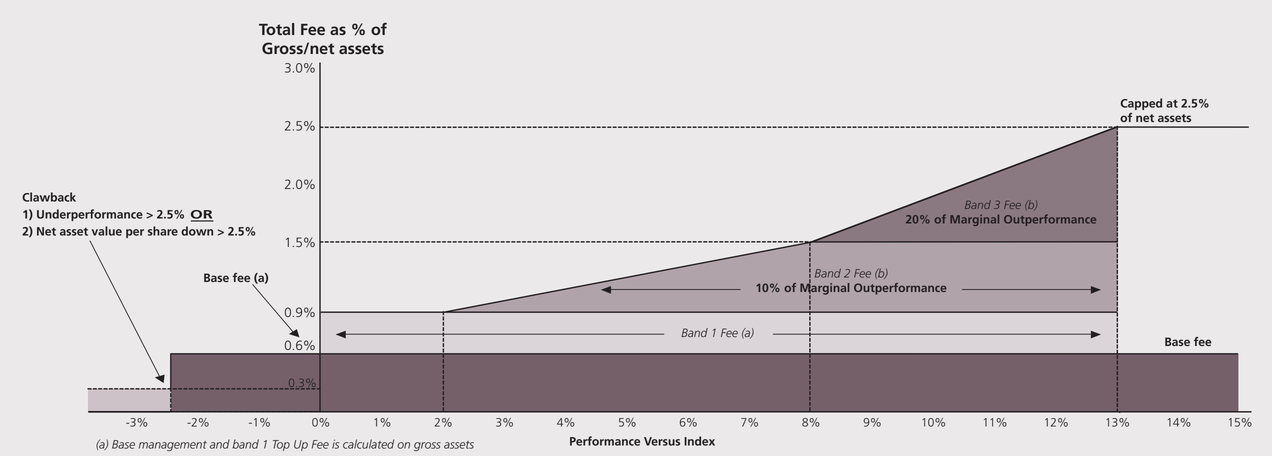
Principal risks and uncertainties

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

- Portfolio and market
  Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move sharply. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds.

  The Board manages the overall level of market risk in the investment portfolio by ensuring full and timely reporting of relevant information from the manager on a bi-weekly basis. The Board reviews the portfolio at each Board meeting and endeavours to mitigate this risk through diversification of investments in the portfolio. The manager manages its exposure to market price risk through its asset allocation decisions and if necessary by buying/selling put or call options on indices relevant to its portfolio. Where

Management and Performance Fees



(a) Base management and band 1 Top Up Fee is calculated on gross assets
(b) Band 2 and 3 performance fees are calculated on net assets

Report of the Directors

continued

appropriate, foreign currency borrowings are used to achieve the portfolio characteristics to minimise the exposure to foreign currency risk. The possible effects on fair values and cash flows arising on account of changes in interest rates are considered when making investment decisions and the level of gearing.

- Investment activity and performance
  An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the index and the companies in its peer group. The Board monitors at each Board meeting the manager's compliance with the Company's objectives, and is directly responsible for investment strategy, the level of gearing and asset allocation between countries and economies. For managing the liquidity risk, the Board gives guidance to the manager as to the maximum amount of the Company's exposure to individual investments. Short term borrowings are used to manage short term cash requirements.

- Tax and regulatory risks
  A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange. The manager has contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. In the year under review, the Board received internal control reports produced by the manager on a quarterly basis, which confirmed regulatory compliance during the year.

- Financial
  By its nature as an investment trust, the Company's business activities are exposed to market risk (including currency risk, interest rate risk and market price risk), liquidity risk, and credit and counterparty risk.

  Details of these risks, how they are managed and the exposures to these risks are given in this note and in note 14 to the Financial Statements on pages 39 to 42.

- Operational
  Disruption to, or failure of, the manager's accounting, dealing or payment systems or the Custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. Details of how the Board monitors the services provided by the manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section on page 22.

Charitable Projects

Since 2009 the Board has supported two charities in India, which deal with early childhood development and education.

They are:

Prerana, which provides rescue, care and education for the children of women involved in the sex industry in Mumbai; and **Mobile Creches**, which promotes day care in and around Delhi for the children of migrant construction workers and slum dwellers, with a particular focus on providing and/or lobbying for nutrition, health and education.

Each charity received £5,000 during the year and the Board has set specific targets for the utilisation of its donations, and will monitor the performance of the two organisations against these targets.

Donations

No payments were made for political purposes.

Corporate Governance Statement

a) Applicable Corporate Governance Codes

The Board is accountable to shareholders for the governance of the Company's affairs. Paragraph 9.8.6 of the UK Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the "UK Code"). As an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties. The Company has no employees and the Directors are all non-executive. Thus, not all the provisions of the UK Code are directly applicable to the Company.

The Financial Reporting Council (the "FRC") confirmed in September 2010 that it remained the view of the FRC that by following the Corporate Governance Guide for Investment

Report of the Directors

continued

Companies produced by the Association of Investment Companies (the "AIC Guide"), boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. The AIC Code of Corporate Governance (the "AIC Code"), as explained by the AIC Guide, addresses all the principles of the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board believes that reporting against the AIC Code by reference to the AIC Guide will provide the most appropriate information to shareholders and has therefore followed the principles and recommendations set out in the AIC Code. Copies of the AIC Code and the AIC Guide can be found on www.theaic.co.uk.

The directors believe that this Annual Report and Financial Statements presents a balanced and understandable assessment of the Company's position and prospects.

b) New Zealand

It should be noted that the UK Codes of Corporate Governance may materially differ from the New Zealand Stock Exchanges Corporate Governance rules and principles of the Corporate Best Practice Code.

c) Statement of compliance

The AIC Code comprises 21 principles. The Board attaches importance to the matters set out in the AIC Code and lists below how the AIC Code's principles have been applied.

The Directors believe that during the year under review they have complied with the provisions of the AIC Code, and insofar as they apply to the Company's business, with the provisions of the UK Code except as noted below.

- The role of chief executive
  Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the manager, the Company does not have a Chief Executive.

- Executive directors' remuneration
  As the Board has no executive directors, it is not required to comply with the principles of the UK Corporate Governance Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on page 25.

- Internal audit function
  As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there is no requirement for an internal audit function. The Directors annually review whether a function equivalent to an internal audit is needed and will continue to monitor the manager's systems of internal controls in order to provide assurance that they operate as intended.

d) Directors

- Board Composition
  The Board currently consists of six non-executive directors, five of whom are deemed to be independent of the manager, the exception being David Brief who is also a Director of another investment trust managed by Henderson. The Directors review their independence annually.

- Directors' appointment, retirement and rotation
  All Directors are appointed for an initial term of three years. The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for election by the shareholders at the next AGM in accordance with the Articles of Association. The total number of Directors shall not be less than three nor more than nine.

  The names and biographies of the Directors holding office at the date of this report are listed on page 12. All Directors served throughout the year.

  In addition, under the Articles of Association, shareholders may remove a Director before the end of his/her term by passing a special resolution. A special resolution is passed if more than 75 per cent. of the votes cast, in person or by proxy, are in favour of the resolution.

  The UK Code requires that every Director retires by rotation at least every three years. The Company's Articles of Association provide that one third of Directors retire by rotation each year. Directors are also required to retire if they have served more than nine years on the Board, but may then offer themselves for re-election. Hugh Aldous and Struan Robertson are the Directors retiring at the forthcoming AGM and, being eligible, offers themselves for re-election.

  David Brief, who is also a Director of another investment trust managed by Henderson, at the date of the notice of meeting must offer himself for annual re-election, as must David Robins who has served on the Board for more than nine years.

Report of the Directors

continued

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a service contract with the Company. No Director is entitled to compensation for loss of office on the takeover of the Company.

- Board Independence and experience

The Directors' biographies on page 12 demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors on the Board of the Company. Directors visit the region to ensure they are up to date with developments in both the Asia Pacific region and India. The Board visited the region in October 2012 and intends to make its next trip in October 2013. During these visits the Board meets with various representatives of governments and of companies in which the portfolio is invested or those in which the portfolio manager is considering making an investment.

- Board Succession and Policy for Recruitment

The Nominations Committee considers succession planning bearing in mind the balance of skills, knowledge and experience existing on the Board and will recommend to the Board when the further recruitment of non-executive Directors is required. The Nominations Committee aims to maintain a balance of relevant skills, experience, ages and length of service of the Directors serving on the Board.

Once a decision is made to recruit additional Directors to the Board, a sub-committee of two independent Directors is formed and authorised to consider candidates. Candidates are drawn from suggestions put forward by other Directors and by the use of an external agency. The sub-committee puts forward up to two candidates for consideration by the Nominations Committee which then makes a recommendation to the Board.

Re-appointment as a Director is not automatic and follows a formal process of evaluation of each Director's performance by the Chairman. Any Director who is subject to annual re-election due to length of service or appointment to other trusts also managed by Henderson is subject to particularly rigorous assessment of their contribution.

- Directors' Remuneration

A report on Directors' remuneration is on page 25.

- Directors' Interests in Shares

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown below.

	Ordinary shares of 5p	
	31 December 2012	1 January 2012
With beneficial interest:		
David Robins (Chairman)	**26,000**	26,000
Hugh Aldous	**50,573**	50,387
David Brief	**31,171**	31,171
Christopher Keljik	**60,666**	48,482
Alexandra Mackesy	**5,290**	5,290
Struan Robertson	**20,000**	20,000

There have been no changes in the Directors' interests since the end of the financial year.

- Directors' Conflicts of Interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. From 1 October 2008, the Companies Act 2006 (the "Act") has allowed directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the Articles of Association contain a provision to this effect. The Act also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. There are two safe harbours. Either the situation can reasonably be regarded as unlikely to give rise to a conflict of interest or the matter has been authorised in advance by the directors. The Company's Articles of Association give the directors the relevant authority required to deal with conflicts of interest.

Each of the Directors has provided a statement of all conflicts of interest and potential conflicts of interest applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. Going forward, the Directors have also all undertaken to notify the Chairman as soon as they become aware of any new potential conflicts of interest that would need to be approved by the Board and added to the Register, which will be reviewed annually by the Board.

It has also been agreed that Directors will advise the Chairman and the Company Secretary in advance of any proposed

Report of the Directors
continued

external appointment and new Directors will be asked to submit a list of potential situations falling within the conflicts of interest provisions of the 2006 Act in advance of joining the Board. The Chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board.

Only Directors who have no interest in the matter being considered will be able to participate in the Board approval process. In deciding whether to approve a conflict of interest, Directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the Directors consider this to be appropriate.

The Board believes that its powers of authorisation of conflicts has operated effectively since they were introduced on 1 October 2008. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the Directors.

- Directors' professional development
  When a new Director is appointed he or she is offered a training seminar which is held by the manager. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars.

- Directors' Insurance and Indemnity
  Directors' and officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court.

e) The Board

- Chairman
  The Chairman is an independent non-executive Director who has no conflicting relationships. The Chairman's other significant commitments are detailed on page 12.

- Senior Independent Director
  Struan Robertson is the Senior Independent Director.

- Responsibilities of the Board and its Committees
  There are three Board Committees: the Audit Committee, the Nominations Committee and the Management Engagement Committee. The Committees have defined Terms of Reference which are available on the website, www.hendersonasiangrowthtrust.com, and will be available for inspection at the AGM.

- Audit Committee
  All Directors, with the exception of the Chairman and David Brief, are members of the Audit Committee. The Audit Committee is chaired by Hugh Aldous and meets at least twice a year. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience (see page 12).

  The Committee reviews the internal financial and non-financial controls, considers and recommends to the Board for approval the contents of the draft Half Year Results and Annual Reports and Financial Statements to shareholders and also the Interim Management Statements. It also reviews the accounting policies and significant financial reporting judgements. The Committee reviews the nature and scope of the external audit and the findings therefrom and the terms of appointment of the auditors, including their remuneration (see note 6 on page 36) and the provision of any non-audit services by them. It also monitors the auditors' independence and objectivity and the effectiveness of the audit process. Together with the manager, the Committee reviews the Company's compliance with financial reporting and regulatory requirements. Representatives of the manager's internal Audit and Compliance departments attend these meetings at the Chairman's request.

  With effect from 30 April 2011, in accordance with changes made by the Auditing Practices Board and the Financial Reporting Council to the APB's Ethical Standards for Auditors and the FRC's Guidance on Audit Committees, audit committees are required to formulate a written policy on the provision of non-audit services by the Company's statutory independent auditors.

  The Audit Committee has reviewed the guidance and has formulated a policy on the provision of non-audit services

Report of the Directors

continued

by the Company's auditors. The Audit Committee has determined that the Company's appointed auditors will never be considered for the provision of non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditors may, if required, provide non-audit services relating to a review of the Company's half year report and a review of the calculation of any performance fee provision. All other non-audit services will be judged on a case-by-case basis.

Representatives of PricewaterhouseCoopers LLP, the Company's auditors, attend the Committee meeting at which the draft Annual Report and Financial Statements are reviewed and are given the opportunity to speak to the Committee members without the presence of representatives of the manager.

The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP and has not considered it necessary to date to require an independent tender process. The auditors are required to rotate the audit partner every five years and this is the second year that the current partner has been in place.

As required by the laws in Taiwan and India for tax compliance services the Company has engaged PricewaterhouseCoopers in Taiwan and Ernst & Young in India for tax compliance services in respect of the Taiwanese and Indian investments respectively.

The manager and BNP Paribas Securities Services have arrangements in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Chairman of the Audit Committee will be present at the AGM to answer questions relating to the financial statements.

- Nominations Committee
  The Nominations Committee meets at least annually and is responsible for Board succession planning and the review of the performance of the Company, the manager's representatives, the Board as a whole and each individual Director. All Directors are members of the Nominations Committee. The Chairman of the Board acts as Chairman of the Nominations Committee but does not participate when the Chairman's performance, re-election or his successor is being considered.

- Management Engagement Committee
  The Management Engagement Committee meets at least annually and is responsible for the annual review of the terms of the management contract. All Directors are members of the Management Engagement Committee which is chaired by the Chairman of the Board.

- Board Attendance
  Six Board meetings are scheduled for the coming year to deal with matters including the setting and monitoring of investment strategy, approval of borrowings, the review of investment performance, the level of the discount or premium to net asset value and the evaluation of the service providers. In addition, a full day's Strategy meeting is held each year. Additional meetings of the Board may be arranged as required. A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

  The number of formal meetings of the Board and its committees held during the financial year and the attendance of individual directors are shown below. Whenever possible all Directors attend the AGM.

	Board	Strategy	Audit Committee	Management Engagement Committee	Nominations Committee
No. of scheduled meetings	**6**	**1**	**2**	**1**	**1**
David Robins[1]	6	1	n/a	1	1
Hugh Aldous	6	1	2	1	1
David Brief[1]	6	1	n/a	1	1
Christopher Keljik	6	1	2	1	1
Alexandra Mackesy	6	1	2	1	1
Struan Robertson	6	1	2	1	1

Notes:
(1) David Robins and David Brief are not members of the Audit Committee, although they may be invited to attend.

f) Performance Evaluation

- The Company
  The performance of the Company is considered at each Board meeting and the Company's performance both in absolute terms and against its peer group on a rolling twelve month basis is considered at each Board meeting. Underperformance triggers are included in the management agreement.

Report of the Directors

continued

- The Board
  In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough appraisal process has been put in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman, discussions are held between the Directors and the Senior Independent Director. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors as well as building on and developing individual and collective strengths.

g) Internal Controls

The Board is responsible overall for the Company's system of internal control and for reviewing its effectiveness on an ongoing basis. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and risk management is embedded in the controls of the Company by a series of regular investment performance reviews and analysis, manager's reports and quarterly internal control reports. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company and reviews these risks and the controls to mitigate these risks on a regular basis. The process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 and revised in October 2005 and June 2006 ("the Turnbull Guidance"). The process was fully in place during 2012 and up to the date of approval of this annual report.

The manager and custodian have established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the manager's compliance and risk departments on a continuing basis.

The Board, assisted by the Manager, has undertaken an annual review of the effectiveness of the Company's system of internal control and the business risks have been analysed and recorded in a risk map which is reviewed regularly. The Board receives each quarter from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the manager, and which reports the details of any known internal control failures. The Board receives each year from the manager a report on its internal controls which includes a report from the manager's auditors on the control policies and procedures in operation. Steps will continue to be taken to embed the system of internal control and risk management into the operation and culture of the Company and its key suppliers. No significant failings or weaknesses in respect of the Company were identified in the year under review.

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The system of internal control is owned by Henderson and BNP Paribas Securities Services, not the Board. The Board will continue to monitor the system of internal control in order to provide assurance that it operates as intended and the Directors annually review whether a function equivalent to internal audit is needed.

h) Accountability and relationship with the Manager

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 26, the Independent Auditors' Report on page 27 and the Statement of Going Concern on page 14.

The Board has delegated contractually to external third parties, including the manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration and registration services. Each of these contracts was entered into after careful consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from the manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends meetings of all the chairmen of the investment trust companies managed by the manager. These meetings provide both a forum to discuss industry matters and those issues common to the Chairmen which they wish to discuss with the manager and on which the Chairman then reports to the Board.

Report of the Directors
continued

The Board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011 and confirmed its zero tolerance to bribery and corruption in its business activities. We have received assurances from our main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

i) Continued appointment of the Manager

The Board reviews the performance of the manager at each Board meeting, and the Company's performance against a peer group of investment companies and the MSCI All Country Asia ex-Japan Index.

In the opinion of the Directors the continued appointment of the manager on the terms agreed was not in the interests of the Company's shareholders as a whole. This is explained in more detail in the Chairman's Statement on pages 3 to 5.

j) Share capital and Shareholders

- Share Capital
  The Company's share capital comprises ordinary shares of 5p nominal value each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares and there are no shares which carry specific rights with regard to control of the Company. At 31 December 2012 the Company had in issue 148,182,281 ordinary shares of 5p each. The market price per share at that date was 185.0p, giving the Company a market capitalisation of £274.1 million. Total shareholders funds was £298,076,000 the net asset value per share at that date was 201.2p per share (inclusive of retained revenue for the year). Accordingly, the market price per share stood at a discount of 8.1% to the net asset value (inclusive of retained revenue for the year). The Company seeks shareholder authority annually to buy back its shares in the market for cancellation. During the year the Company bought back 12,706,126 of its ordinary shares (representing 8.6% of the called-up share capital as at 31 December 2011) at an average discount of 10.9% for a total consideration of £21,434,000. Since the end of the year and the date of this report no further ordinary shares have been bought back by the Company.

- Substantial Share Interests
  Declarations of interest in the voting rights of the Company as at 31 December 2012, are set out below.

Shareholder	% of voting rights
City of London Investment Management	18.1
British Steel Pension Scheme	9.0
Advance Developing Markets Fund	7.5
Lazard Asset Management	5.3
Sarasin & Partners	4.8
Legal & General	4.2

Since the year end, no changes in substantial share interests have been notified to the Company.

In addition, the Board is aware that, at 31 December 2012, 5.4% of the issued share capital was held on behalf of participants in the Halifax Share Dealing products run by Halifax Share Dealing Limited ("HSDL"), which is part of Lloyds Banking Group. In accordance with the arrangements made between HSDL and Henderson, the participants in the Halifax Share Dealing products are given the opportunity to instruct the nominee company of HSDL to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. HSDL has undertaken to instruct its nominee company to exercise the voting rights of any shares held through the Halifax Share Dealing products that have not been exercised by the individual participants in them. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

- Relations with Shareholders
  Shareholder relations are given high priority by both the Board and the manager. The prime medium by which the Company communicates with shareholders is through the Half Year Update and the Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and its results. In addition Interim Management Statements are issued twice per annum in accordance with the Transparency Directive. This information is supplemented by the daily calculation and publication at the London and New Zealand Stock Exchanges of the NAV of the Company's ordinary shares

Report of the Directors

continued

and a monthly fact sheet. Information can also be found on www.hendersonasiangrowthtrust.com.

The Board monitors the shareholder register of the Company at each meeting and maintains regular contact with major shareholders.

The Board is keen that the AGM be a participative event which private shareholders are encouraged to attend. The Chairmen of the Board and the Committees attend the AGM and are available to respond to queries and concerns from shareholders. The Company has adopted a nominee share code which is set out below and proxy votes received are relayed to the meeting.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year end is valuable. It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least twenty working days notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the new Company Secretary at the address given on page 47. At other times the Company responds to letters from shareholders on a range of issues.

k) Corporate Responsibilities

Responsible Investment (SEE statement)

Codes of good corporate governance extend to a company's policies on the environment, employment, human rights and community relationships. Corporations are playing an increasingly important role in global economic activity and the adoption of good corporate governance enhances a company's economic prospects by reducing the risk of Government and regulatory intervention and any ensuing damage to its business or reputation.

This Company's policy is to monitor the policies and actions of the companies in which it invests with a view to encouraging management to recognise and address any issues. Its overriding objective remains the pursuit of a high rate of total return.

Exercise of Voting Powers

The Company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on financial returns.

The policy also sets out how Henderson implements the Stewardship Code. The Company has delegated responsibility for voting to the manager. The Board receives a report, at least annually, on the voting undertaken by the Manager on behalf of the Company.

Employee and environmental matters

The Company has no employees and outsources its investment management and company secretarial services to subsidiaries of Henderson. Henderson has implemented environmental management practices, which include systems to limit the use of non-renewable resources and minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible.

Annual General Meeting ("AGM")

The AGM will be held on Monday 22 April 2013 at 12.30 pm at 31 Gresham Street, London EC2V 7QA, the offices of Schroders. Separate resolutions will be proposed for each substantive issue. The formal notice of the AGM as well as full details of the resolutions to be put at the AGM are contained in the separate circular which has been sent to shareholders with this Annual Report.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the directors to determine their remuneration will be proposed at the AGM.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this Report are listed on page 12. Each of those Directors confirms that:

- to the best of his/her knowledge and belief, there is no information relevant to the preparation of the Annual Report and Financial Statements of which the Company's auditors are unaware; and
- he/she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

For and on behalf of
Henderson Secretarial Services Limited, Company Secretary
11 March 2013

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Sections 420-422 of the Companies Act 2006 (the "Act"). The report also meets the relevant provisions of the Listing Rules issued by the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the AGM. The Company's auditors are required to report on certain information contained within this report.

Remuneration Policy

The Board as a whole considers the Directors' remuneration. The Board has not appointed a committee to consider matters relating to Directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration although the Directors regularly review the fees paid to the boards of directors of other investment trust companies of similar type and size.

The Board consists entirely of non-executive Directors. New Directors are appointed with the expectation that they will serve for an initial period of three years. Directors' appointments are reviewed formally every three years thereafter by the Board as a whole. None of the Directors has a contract of service or a contract for services and a Director may resign by notice in writing to the Board at any time; there are no set notice periods. The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally. There are no long term incentive schemes, share option schemes or pension arrangements provided by the Company and the fees are not specifically related to the Directors' performance, either individually or collectively.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairmen of the Board and Audit Committee to be paid a higher fee than the other Directors in recognition of the additional responsibilities.

The policy is to review Directors' fees annually, although such review will not necessarily result in any change to the rates.

Directors' Fees and Expenses

The Company's Articles of Association do not limit the fees payable to the Directors. In the year under review the Directors' fees were paid at the following annual rates: the Chairman £29,000; the Audit Committee Chairman £20,500; the other Directors £19,000 each.

Audited Information

The fees payable by the Company in respect of each of the Directors who served during the year and during 2011 were as follows:

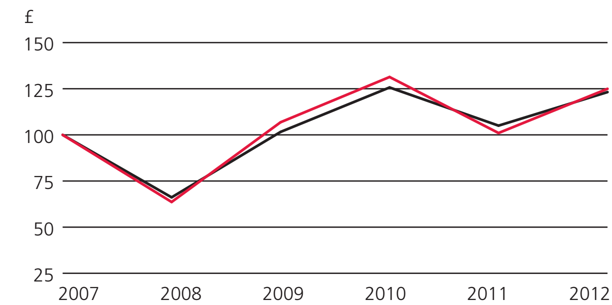
	2012	2011
David Robins (Chairman)	**£29,000**	£29,000
Hugh Aldous*	**£20,500**	£20,500
David Brief	**£19,000**	£19,000
Christopher Keljik	**£19,000**	£19,000
Alexandra Mackesy	**£19,000**	£19,000
Struan Robertson	**£19,000**	£19,000
TOTAL	**£125,500**	£125,500

*Hugh Aldous is Chairman of the Audit Committee.

Directors' fees were reviewed during the year and it was agreed not to increase them from 1 January 2013.

Performance Graph

A line graph, as required by the Act, showing the Company's share price total return compared to the MSCI All Country Asia ex-Japan Index has been provided below.



Source: Datastream

The Company's share price total return, assuming an investment of £100 on 31 December 2007 and the reinvestment of all dividends (excluding dealing expenses)

The MSCI All Country Asia ex-Japan Index assuming a notional investment of £100 into the Index on 31 December 2007 and the reinvestment of all income (excluding dealing expenses)

By order of the Board

For and on behalf of
Henderson Secretarial Services Limited, Company Secretary
11 March 2013

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Company's financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. 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 are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under DTR 4.1.12

Each of the Directors, who are listed on page 12 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return/(loss) of the Company; and
- the Directors' Report contained in the Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Hugh Aldous
Director
11 March 2013

The financial statements are published on the www.hendersonasiangrowthtrust.com website, which is a website maintained by the Company's manager, Henderson Global Investors Limited ("Henderson"). The maintenance and integrity of the website maintained by Henderson or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

to the members of Henderson Asian Growth Trust plc

We have audited the financial statements of Henderson Asian Growth Trust plc for the year ended 31 December 2012 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, 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.

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

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 Report and Financial Statements 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 net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; 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 Directors' statement set out on page 14, in relation to going concern;
- the parts 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; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 March 2013

Income Statement

for the year ended 31 December 2012

Notes		Year ended 31 December 2012 Revenue return £'000	Year ended 31 December 2012 Capital return £'000	Year ended 31 December 2012 Total £'000	Year ended 31 December 2011 Revenue return £'000	Year ended 31 December 2011 Capital return £'000	Year ended 31 December 2011 Total £'000
2	Gains/(losses) from investments held at fair value through profit or loss	**–**	**52,103**	**52,103**	–	(86,992)	(86,992)
3	Income from investments held at fair value through profit or loss	**6,198**	**–**	**6,198**	7,625	–	7,625
4	Other interest receivable and similar income	**414**	**–**	**414**	146	–	146
	Gross revenue and capital gains/(losses)	**6,612**	**52,103**	**58,715**	7,771	(86,992)	(79,221)
5	Management fee	**(647)**	**(1,193)**	**(1,840)**	(469)	(656)	(1,125)
6	Other administrative expenses	**(751)**	**–**	**(751)**	(658)	–	(658)
	Net return/(loss) on ordinary activities before finance charges and taxation	**5,214**	**50,910**	**56,124**	6,644	(87,648)	(81,004)
7	Finance charges	**(71)**	**(214)**	**(285)**	(234)	(703)	(937)
	Net return/(loss) on ordinary activities before taxation	**5,143**	**50,696**	**55,839**	6,410	(88,351)	(81,941)
8	Taxation on net return on ordinary activities	**(617)**	**–**	**(617)**	(650)	–	(650)
	Net return/(loss) on ordinary activities after taxation	**4,526**	**50,696**	**55,222**	5,760	(88,351)	(82,591)
9	**Basic and diluted return/(loss) per ordinary share**	**2.9p**	**32.7p**	**35.6p**	3.6p	(54.8)p	(51.2)p

The total column of this statement represents the Income Statement of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The notes on pages 32 to 44 form part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2012

Notes	**Year ended 31 December 2012**	**Called up share capital £'000**	**Capital redemption reserve £'000**	**Special reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	At 1 January 2012	**8,044**	**7,862**	**50,616**	**189,016**	**13,879**	**269,417**
	Net return from ordinary activities after taxation	**–**	**–**	**–**	**50,696**	**4,526**	**55,222**
10	Dividend paid in respect of year ended 31 December 2011 (paid 2 April 2012)	**–**	**–**	**–**	**–**	**(5,129)**	**(5,129)**
	Share buy backs	**(635)**	**635**	**(21,434)**	**–**	**–**	**(21,434)**
15, 16	**At 31 December 2012**	**7,409**	**8,497**	**29,182**	**239,712**	**13,276**	**298,076**

Notes	Year ended 31 December 2011	Called up share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 January 2011	8,073	7,833	51,500	277,367	12,797	357,570
	Net (loss)/return from ordinary activities after taxation	–	–	–	(88,351)	5,760	(82,591)
10	Dividend paid in respect of year ended 31 December 2010 (paid 1 April 2011)	–	–	–	–	(4,678)	(4,678)
	Share buy backs	(29)	29	(884)	–	–	(884)
15, 16	At 31 December 2011	8,044	7,862	50,616	189,016	13,879	269,417

The notes on pages 32 to 44 form part of these financial statements

Balance Sheet

at 31 December 2012

Notes		2012 £'000	2011 £'000
11	**Fixed asset investments held at fair value through profit or loss**		
	Listed at market value	**298,003**	280,004
	Current assets		
	Cash at bank	**451**	–
12	Debtors	**395**	706
		846	706
13	**Creditors:** amounts falling due within one year	**(773)**	(11,293)
	Net current assets/(liabilities)	**73**	(10,587)
	Total net assets less current liabilities	**298,076**	269,417
	Capital and reserves		
15	Called up share capital	**7,409**	8,044
16	Capital redemption reserve	**8,497**	7,862
16	Special reserve	**29,182**	50,616
16	Other capital reserves	**239,712**	189,016
16	Revenue reserve	**13,276**	13,879
	Total shareholders' funds	**298,076**	269,417
17	**Net asset value per ordinary share (basic and diluted)**	**201.2p**	167.5p

The financial statements on pages 28 to 44 were approved and authorised for issue by the Board of Directors on 11 March 2013 and signed on their behalf by:

Hugh Aldous
Director

The notes on pages 32 to 44 form part of these financial statements

Cash Flow Statement

for the year ended 31 December 2012

Notes		2012 £'000	2012 £'000	2011 £'000	2011 £'000
18	**Net cash inflow from operating activities**		**3,696**		3,336
	Servicing of finance				
	Interest paid	**(288)**		(1,022)	
	Net cash outflow from servicing of finance		**(288)**		(1,022)
	Financial investment				
	Purchases of investments	**(120,851)**		(195,530)	
	Sales of investments	**154,420**		237,244	
	Net cash inflow from financial investment		**33,569**		41,714
	Equity dividends paid		**(5,129)**		(4,678)
	Net cash inflow before financing		**31,848**		39,350
	Financing				
	Repurchase of ordinary shares	**(21,434)**		(884)	
	Net cash outflow from financing		**(21,434)**		(884)
	Increase in cash		**10,414**		38,466
	Reconciliation of net cash flow to movement in net cash/(debt)				
	Change in net debt resulting from cash flows		**10,414**		38,466
	Exchange movements		**1,107**		982
			11,521		39,448
	Net debt at 1 January		**(11,070)**		(50,518)
19	**Net cash/(debt) at 31 December**		**451**		(11,070)

The notes on pages 32 to 44 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, as modified to include the revaluation of investments at fair value through profit or loss. The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice ("the SORP") for investment trusts issued by the Association of Investment Companies ("the AIC") in January 2009 and with those parts of the Companies Act 2006 applicable to companies reporting under UK GAAP. The Company's accounting policies are consistent with the prior year.

b) Valuation of investments held at fair value through profit or loss

The Company's investments are classified as held at fair value through profit or loss in accordance with FRS 29 – Financial Instruments: Recognition and Measurement and are managed and evaluated on a fair value basis in accordance with its investment strategy.

All investments are designated upon initial recognition as held at fair value through profit or loss. Accordingly, they are recognised at fair value, excluding transaction costs, and are subsequently measured at fair value, which is deemed to be bid price or the last trade price depending on the convention of the Exchange on which the investment is listed.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "gains or losses on investments held at fair value through profit or loss". All purchases and sales are accounted for on a trade date basis. Transaction costs incurred on the purchase and disposal of investments are included within the cost or deducted from the proceeds of the investment.

In order to improve the disclosure of how companies measure the fair value of their financial investments, the disclosure requirements in FRS 29 include fair value hierarchy which consists of the following three 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 asset or liability.

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

The fair value hierarchy of the Company's investments held at fair value through profit or loss, at the balance sheet date, is disclosed in note 14.1 on page 40.

c) Foreign currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional and presentation currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

Transactions recorded in foreign currencies during the year are translated into sterling at the appropriate daily exchange rates. Monetary assets and liabilities and equity investments held at fair value through profit or loss which are denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

d) Income

Dividends receivable (including overseas withholding taxes) from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of Directors, the dividend is capital in nature, in which case it is taken to the capital return. The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

Any enhancement above the cash dividend is treated as capital.

Bank interest and income from stock lending are accounted for monthly on an accruals basis.

e) Management and administrative expenses and finance charges

All expenses and finance charges are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns in the form of capital and revenue returns of 75% and 25%, respectively, the Company charges 75% of its finance costs and investment management fees to capital. As in previous years, the amount of the management fee attributable to accounting, secretarial and administration services has been charged wholly to revenue return. Any performance fees payable (including top-up and claw-backs) are allocated wholly to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance. The apportionment of the management fee between investment management and other services can be found in note 5 on page 35. Expenses which are incidental to the purchase or sale of an investment are charged to the capital return column of the Income Statement, and are included within the gains/losses from investments held at fair value through profit or loss. All other administrative expenses are charged to the revenue return column of the Income Statement.

f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

g) Borrowings

Interest bearing overdrafts are recorded initially at fair value, being the proceeds received, less direct issue costs. They are subsequently remeasured at amortised cost. Finance charges, including interest payable, premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Financial Statements
continued

1 Accounting policies (continued)

h) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Reconciliation of Movements in Shareholders' Funds.

i) Issue and repurchase of ordinary shares and associated costs

The proceeds from the issue of new ordinary shares and the aggregate cost of repurchasing ordinary shares are taken directly to equity and dealt with in the Reconciliation of Movements in Shareholders' Funds. Issue costs incurred in respect of new ordinary shares are offset against the proceeds received and dealt with in the special reserve account. Share issue and repurchase transactions are accounted for on a trade date basis.

j) Capital reserves

Capital reserve arising on investments sold

The following are accounted for in this reserve:
– gains and losses on the disposals of investments;
– expenses and finance costs allocated to capital net of tax relief;
– realised foreign exchange differences of a capital nature; and
– cost of repurchasing ordinary share capital.

Capital reserve arising on revaluation of investments held

The following are accounted for in this reserve:
– increases and decreases in the valuation of investments held at the year end; and
– unrealised foreign exchange differences of a capital nature.

2 Gains/(losses) from investments held at fair value through profit or loss

	2012 £'000	2011 £'000
Gains on sale of investments based on historical cost	**10,057**	20,094
Less revaluation gains recognised in previous years	**(8,430)**	(66,977)
Gains/(losses) on investments sold in the year based on carrying value at previous balance sheet date	**1,627**	(46,883)
Revaluation of investments held at 31 December	**49,369**	(41,091)
Exchange gains	**1,107**	982
	52,103	(86,992)

Notes to the Financial Statements

continued

3	**Income from investments held at fair value through profit or loss**	**2012 £'000**	2011 £'000
	Dividends from listed overseas equities	**5,626**	6,829
	Stock dividends	**572**	796
		6,198	7,625

4	**Other interest receivable and similar income**	**2012 £'000**	2011 £'000
	Bank interest	**–**	2
	Stock lending income	**414**	144
		414	146

As at 31 December 2012 the Company had securities to the value of £31.6m out on loan (2011: £31.3m). The maximum aggregate value of securities on loan at any time during the year ended 31 December 2012 was £43.9m (2011: £31.3m). The Company's agent holds collateral which is reviewed on a daily basis, comprising equities and government bonds with a market value of 105% of the market value of any securities on loan.

		Year ended 31 December 2012			Year ended 31 December 2011		
5	**Management fee**	**Revenue return £'000**	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
	Investment management fee	**397**	**1,193**	**1,590**	437	1,313	1,750
	Clawback of base fee	**–**	**–**	**–**	(218)	(657)	(875)
	Accounting, secretarial and administration costs	**250**	**–**	**250**	250	–	250
		647	**1,193**	**1,840**	469	656	1,125

There is no performance fee in respect of the year ended 31 December 2012 (2011: £nil).

A summary of the terms of the management agreement is given in the Report of the Directors on pages 15 and 16.

Notes to the Financial Statements
continued

6	**Other administrative expenses** (charged wholly to revenue return)	**2012 £'000**	2011 £'000
	Directors' fees (see Directors' Remuneration Report on page 25)	**126**	126
	Auditors' remuneration:		
	for audit services	**25**	24
	for non-audit services (in respect of tax services in Taiwan)	**5**	5
	Bank and custody charges	**136**	165
	Marketing services	**64**	66
	AIC subscriptions	**29**	31
	Printing and postage	**25**	29
	Registrar's fees	**22**	23
	Listing fees	**31**	28
	Directors' and Officers' Liability Insurance	**7**	12
	Public Relations Agency fee	**25**	25
	Company broker fee (UK and New Zealand)	**32**	28
	Advisers' fees (in respect of change in manager)	**128**	–
	Stock lending fees (see note 4 on page 35)	**–**	29
	Other expenses*	**86**	57
	Charitable donations (see Report of the Directors on page 17)	**10**	10
		751	658

*Other expenses include travel, subsistence and other miscellaneous expenses.

7	**Finance charges**	**Year ended 31 December 2012 Revenue return £'000**	**Capital return £'000**	**Total £'000**	Year ended 31 December 2011 Revenue return £'000	Capital return £'000	Total £'000
	On overdraft repayable within one year	**71**	**214**	**285**	234	703	937
		71	**214**	**285**	234	703	937

75% of finance charges have been allocated to capital return in accordance with the Company's allocation policy set out in the accounting policies in note 1(e).

8	**Taxation on net return on ordinary activities**	**Year ended 31 December 2012 Revenue return £'000**	**Capital return £'000**	**Total £'000**	Year ended 31 December 2011 Revenue return £'000	Capital return £'000	Total £'000
	a) Analysis of charge in the period						
	Overseas tax	**617**	**–**	**617**	650	–	650
	Current tax charge for the year	**617**	**–**	**617**	650	–	650

Notes to the Financial Statements

continued

8 Taxation on net return on ordinary activities (continued)

b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the effective rate of corporation tax in the UK for the year ended 31 December 2012. The differences are explained below:

	Year ended 31 December 2012			Year ended 31 December 2011		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	**5,143**	**50,696**	**55,839**	6,410	(88,351)	(81,941)
Corporation tax at 24.5% (2011: 26.5%)	**1,260**	**12,421**	**13,681**	1,699	(23,413)	(21,714)
Effects of:						
Non taxable overseas dividends	**(1,518)**	**–**	**(1,518)**	(2,020)	–	(2,020)
Irrecoverable withholding tax suffered	**617**	**–**	**617**	650	–	650
Expenses not deductible	**2**	**–**	**2**	2	–	2
Capital gains/(losses) on investments not subject to tax	**–**	**(12,765)**	**(12,765)**	–	23,053	23,053
Increase in excess management expenses and finance charges	**256**	**344**	**600**	319	360	679
Current tax charge	**617**	**–**	**617**	650	–	650

Investment trusts are exempt from Corporation Tax on capital gains provided that the Company meets the tests under Section 1158 of the Corporation Tax Act 2010.

c) Provision for deferred taxation

No provision for deferred taxation has been made in the current year or in the prior year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation or disposal of investments as it is exempt from tax on these items because of its status as an investment trust.

The Company has not recognised a deferred tax asset of £2.111m (2011: £1.681m) arising as a result of excess management expenses and finance charges. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

Notes to the Financial Statements

continued

9 Return/(loss) per ordinary share

The total return per ordinary share is based on the net gain attributable to the ordinary shares of £55.222m (2011: net loss of £82.591m) and on 155,131,153 ordinary shares (2011: 161,269,407) being the weighted average number of shares in issue during the year.

The total return/(loss) can be further analysed as follows:

	2012 £'000	2011 £'000
Revenue return	**4,526**	5,760
Capital return/(loss)	**50,696**	(88,351)
Total	**55,222**	(82,591)
Weighted average number of ordinary shares	**155,131,153**	161,269,407
Revenue return per ordinary share	**2.9p**	3.6p
Capital return/(loss) per ordinary share	**32.7p**	(54.8)p
Total return/(loss) per ordinary share	**35.6p**	(51.2)p

The Company does not have any dilutive securities. Therefore, the basic and diluted returns/(losses) per share are the same.

10 Dividends on ordinary shares

	Record date	Payment date	**2012 £'000**	2011 £'000
Interim dividend (2.40p) for the year ended 31 December 2010	18 March 2011	1 April 2011	**–**	4,682
Interim dividend (3.25p) for the year ended 31 December 2011	16 March 2012	2 April 2012	**5,129**	–
Return of unclaimed dividends			**–**	(4)
			5,129	4,678

The total dividend payable in respect of the financial year which forms the basis of the retention test under section 1158 of the Corporation Tax Act 2010 is set out below.

	2012 £'000	2011 £'000
Revenue available for distribution by way of dividend for the year	**4,526**	5,760
Interim of 3.25p for the year ended 31 December 2012 (based on 148,182,281 ordinary shares in issue at 7 March 2013)	**(4,816)**	(5,162)
Undistributed revenue for section 1158 purposes	**(290)**	598

Notes to the Financial Statements

continued

11	**Fixed asset investments held at fair value through profit or loss**	**2012 Total £'000**	2011 Total £'000
	Valuation at 1 January	**280,004**	408,896
	Investment holding gains at 1 January	**(19,660)**	(127,728)
	Cost at 1 January	**260,344**	281,168
	Additions at cost	**121,423**	196,326
	Proceeds from sales	**(154,420)**	(237,244)
	Movement in gains in investment holdings	**10,057**	20,094
	Cost at 31 December	**237,404**	260,344
	Investment holding gains at 31 December	**60,599**	19,660
	Valuation at 31 December	**298,003**	280,004

Total transaction costs amounted to £809,000 (2011: £1,377,000) of which purchase transaction costs for the year ended 31 December 2012 were £334,000 (2011: £632,000). Sale transaction costs for the year ended 31 December 2012 were £475,000 (2011: £745,000). These comprise mainly stamp duty and commission.

12	**Debtors**	**2012 £'000**	2011 £'000
	Prepayment of management fee	**–**	454
	Other prepayments and accrued income	**384**	238
	Taxation recoverable (VAT)	**7**	14
	Other debtors	**4**	–
		395	706

13	**Creditors:** amounts falling due within one year	**2012 £'000**	2011 £'000
	Bank overdraft	**–**	11,070
	Interest payable	**17**	20
	Management fee accrual	**468**	–
	Advisers fee accrual (in respect of change of manager)	**114**	–
	Other expense accruals	**174**	203
		773	11,293

Details of the bank overdraft facility and gearing can be found in the Report of Directors on page 14.

14 Financial Instrument Risk

14.1 Risk Management policies and procedures

The Company invests in securities of the Asian region in the manner, and abiding by the Board policies, set out at the front of this Annual Report. The Board's policies on risk management are set out in the Business Review on pages 16 and 17. The Company's assets are managed so as to diversify market risk (including currency risk), price risk and liquidity risk. The Directors receive and review a comprehensive investment risk report at every Board meeting to ensure the portfolio is being managed in line with policy. It also satisfies itself that the internal risk management processes at the manager are robust. Although the investments are listed on recognised stock exchanges, from time to time some markets in the region have been known to experience a sudden loss of liquidity and the Board ensures that the portfolio

Notes to the Financial Statements

continued

14 Financial Instrument Risk (continued)

manager monitors the liquidity profile. Interest rate risk only arises if the portfolio manager chooses to leverage the portfolio and note 13 shows that there was no gearing at the end of the year (2011: £11.1m). Credit risk is mitigated by diversifying the counterparties through which the manager conducts transactions. The year end exposures were cash at bank of £451,000 (2011: £nil) and to debtors of £360,000 (2011: £658,000). During the year stock lending was undertaken through HSBC Bank plc, with approved counterparties (see note 4).

The Directors note that the portfolio, as currently constructed, has an ex-ante beta of 1.2. All other things being equal, this suggests that the portfolio will have a volatility similar to the MSCI All Country Asia ex-Japan Index, which is the Index by which the performance fee is measured. In all material respects, this is borne out by the performance table on page 1. In other words, as long as the portfolio remains fully invested, the risk that can be attributed to it and any sensitivity analysis will reflect the performance of the Index and be leveraged, up or down, by the level of borrowing.

The only financial assets and liabilities recognised on the Company's balance sheet at fair value are investments held at fair value through profit or loss. All of these investments are classified as Level 1 within the portfolio hierarchy as defined in the accounting policies on page 32 (2011: all within Level 1).

The Directors consider that as the portfolio is prudently diversified, the biggest single contributor to risk is that of the performance of the equity markets in which it is invested. Stock selection and leverage may amplify or reduce market risk.

14.2 Concentration of exposure to market price risk

An analysis of the Company's investment portfolio is shown on pages 10 and 11. This shows the significant amounts invested in China, Hong Kong, India, Korea, and Taiwan.

Market price risk sensitivity

The impact of a 10% increase/decrease in the value of investments on the revenue return as at 31 December 2012 is a decrease/increase of £45,000 (2011: £42,000) and on the capital return is an increase/decrease of £29,667,000 (2011: £27,874,000).

14.3 Foreign currency exposure and sensitivity

The fair values of the Company's monetary items that have foreign currency exposure at 31 December 2012 are shown below. Where the Company's equity investments, which are not monetary items, are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	Year ended 31 December 2012			Year ended 31 December 2011		
Currency	**Current assets £'000**	**Current liabilities £'000**	**Equity investments £'000**	Current assets £'000	Current liabilities £'000	Equity investments £'000
US dollar	**–**	**(189)**	**31,961**	–	(14,521)	27,896
Hong Kong dollar	**–**	**–**	**118,479**	–	–	110,097
Korean won	**339**	**–**	**60,027**	–	–	55,028
Taiwanese dollar	**637**	**–**	**23,188**	3,466	–	29,910
Indian rupee	**–**	**–**	**25,627**	–	–	12,322
Singapore dollar	**–**	**–**	**3,368**	–	–	3,159
Other (non sterling)	**–**	**–**	**35,129**	–	–	41,323
	976	**(189)**	**297,779**	3,466	(14,521)	279,735

Notes to the Financial Statements
continued

14 Financial Instrument Risk (continued)

The foreign currency sensitivities assume the following changes in exchange rates and are based on the Company's foreign currency financial assets and liabilities held at each balance sheet date:

US Dollar/Sterling +/- 10% (2011: 10%). HK Dollar/Sterling +/- 10% (2011: 10%). Indian Rupee/Sterling +/- 15% (2011: 15%). Korean Won/Sterling +/- 15% (2011: 15%). Taiwanese Dollar/Sterling +/- 10% (2011: 10%). Other Currencies/Sterling +/- 10% (2011: 10%).

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

	Year ended 31 December 2012					
Impact on total return	**US Dollar £'000**	**HK Dollar £'000**	**Indian Rupee £'000**	**Korean Won £'000**	**Taiwanese Dollar £'000**	**Other £'000**
Sterling depreciates	**3,649**	**13,271**	**4,522**	**10,665**	**2,627**	**4,495**
Sterling appreciates	**(2,902)**	**(10,828)**	**(3,333)**	**(7,860)**	**(2,202)**	**(3,667)**

	Year ended 31 December 2011					
Impact on total return	US Dollar £'000	HK Dollar £'000	Indian Rupee £'000	Korean Won £'000	Taiwanese Dollar £'000	Other £'000
Sterling depreciates	1,468	12,465	2,230	9,728	3,714	5,148
Sterling appreciates	(1,222)	(10,198)	(1,648)	(7,191)	(3,076)	(4,196)

14.4 Interest rate exposure

At 31 December 2012, the Company had repaid its overdraft facility, There was no exposure, therefore, to interest rate risk (2011: £11.07m).

14.5 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are carried in the Balance Sheet at their fair value (investments) or the balance sheet amount is a reasonable approximation of fair value (dividends and interest receivable, accruals and cash at bank).

Notes to the Financial Statements

continued

14 Financial Instrument Risk (continued)

14.6 Capital management policies and procedures

The Company's capital is represented by its net assets and borrowings, which are managed to achieve the Company's investment objectives as set out on the inside front cover.

The Board's policies and procedures on capital management are set out in the Business Review on page 13.

The Company is subject to externally imposed capital requirements through the Companies Act 2006, with respect to its status as a public company. The Company's obligation and ability to pay dividends is governed by the provisions of section 1158 of the Corporation Tax Act 2010 and the Companies Act 2006 respectively. The Company is subject to externally imposed capital requirements under the overdraft facility provided by HSBC, namely that borrowings under the overdraft facility shall not exceed the lesser of £60m or 25% of the custody assets. At 31 December 2012 the Company did not have an overdraft position and therefore was not geared.

The Company has complied with these requirements throughout the year.

15 Called up share capital	**2012 £'000**	2011 £'000
Allotted, issued and fully paid:		
148,182,281 (2011: 160,888,407) ordinary shares of 5p each	**7,409**	8,044

During the year the Company repurchased for cancellation 12,706,126 (2011: 563,000) of its own issued shares for a total consideration of £21,434,000 (inclusive of stamp duty) (2011: £884,000) leaving a balance of 148,182,281 ordinary shares for the purpose of calculating the net asset value per ordinary share.

16 Reserves	Capital redemption reserve £'000	Special reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Revenue reserve £'000
At 1 January 2012	7,862	50,616	169,356	19,660	13,879
Transfer on disposal of investments	–	–	8,430	(8,430)	–
Net gains on investments	–	–	1,627	49,369	–
Net gains on foreign exchange	–	–	1,107	–	–
Expenses and finance charges allocated to capital	–	–	(1,407)	–	–
Dividends paid (see note 10)	–	–	–	–	(5,129)
Share buy backs	635	(21,434)	–	–	–
Net revenue return after taxation for the year	–	–	–	–	4,526
At 31 December 2012	**8,497**	**29,182**	**179,113**	**60,599**	**13,276**

The special reserve is available to purchase the Company's own ordinary shares.

Notes to the Financial Statements

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17 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable to the ordinary shares of £298.076m (2011: £269.417m) and on 148,182,281 (2011: 160,888,407) ordinary shares in issue at 31 December 2012.

The movements during the year of the assets attributable to the ordinary shares were as follows:

	2012 £'000	2011 £'000
Total net assets at 1 January	**269,417**	357,570
Total net profit/(loss) on ordinary activities after taxation	**55,222**	(82,591)
Buy back of shares	**(21,434)**	(884)
Dividend paid in the year (paid in April)	**(5,129)**	(4,678)
Total net assets at 31 December	**298,076**	269,417

18 Reconciliation of net return/(loss) on ordinary activities before finance charges and taxation to net cash inflow from operating activities

	2012 £'000	2011 £'000
Net return/(loss) on ordinary activities before finance charges and taxation	**56,124**	(81,004)
Add: capital return/(loss) before finance charges and taxation	**(50,910)**	87,648
Net revenue return before finance charges and taxation	**5,214**	6,644
Decrease/(increase) in prepayments and accrued income	**308**	(647)
Decrease/(increase) in other debtors	**3**	(14)
Increase/(decrease) in creditors	**553**	(545)
Expenses allocated to capital return	**(1,193)**	(656)
Overseas withholding tax deducted at source	**(617)**	(650)
Stock dividends	**(572)**	(796)
Net cash inflow from operating activities	**3,696**	3,336

19 Analysis of changes in net cash

	31 December 2011 £'000	Cash flow £'000	Exchange movements £'000	**31 December 2012 £'000**
(Bank overdraft)/cash	(11,070)	10,414	1,107	**451**
Net (debt)/cash	(11,070)	10,414	1,107	**451**

20 Capital commitments and contingent commitments

Capital commitments

There were no capital commitments as at 31 December 2012 (2011: £nil).

Contingent commitments

There were no contingent commitments in respect of sub-underwriting participations as at 31 December 2012 (2011: £nil).

Notes to the Financial Statements

continued

21 Transactions with the Manager

Under the terms of an agreement dated 27 February 2007 the Company appointed wholly owned subsidiaries of Henderson to provide investment management, accounting, secretarial and administrative services. Henderson has contracted BNP Paribas Securities Services to provide accounting and administrative services. Details of the fee arrangements paid to Henderson for these services are given in the Report of the Directors on pages 15 and 16.

The total management fee payable to Henderson for the year ended 31 December 2012 was £1.840m (2011: £1.125m) of which £467,000 was outstanding at 31 December 2012 (2011: £454,000 was payable to the Company).

No performance fee was payable this year (2011: £nil) as the Company underperformed its index by 1.5% on a rolling three year basis.

In addition to the above services, Henderson has provided the Company with marketing services during the year. The total fees paid or payable for these services for the year ended 31 December 2012 amounted to £64,000 (2011: £66,000), of which £16,000 was outstanding at 31 December 2012 (2011: £16,000).

22 Subsequent Events

The Company has announced a proposed Tender Offer for the purchase of up to 50% of its current issued share capital, and a change in its investment policy and investment manager, details of which can be found in the circular to shareholders dated 20 February 2013.

Glossary of Terms

Index used for Comparison
The MSCI All Country Asia ex-Japan Index (Sterling adjusted).

Discount/Premium
The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share.

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

Gearing
The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall.

This is calculated by dividing total assets less cash, before deducting borrowings and prior charges, by net assets, expressed as a percentage.

Index Options
An agreement entered into by the Company that confers the right but not the obligation to sell or buy a specific stock market index within a specified period of time.

Index Futures
An agreement entered into by the Company to sell or buy a specific stock market index at a specific future time and price.

Beta
A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Individual Savings Account (ISA)
A savings product that enables UK tax residents to invest in shares in a tax efficient way, subject to a limit of £10,680 for the 2011/12 tax year and £11,280 for the 2012/13 tax year.

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

Total Return
This is the return on the share price or net asset value per share taking into account both the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for net asset value total return).

Ongoing charges
Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. Ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs.

Tracking Error
A measure of how closely a portfolio follows the index to which it is benchmarked.

Market Capitalisation
The market value of the Company as calculated by multiplying the mid-market price per share by the number of shares in issue.

Warning to Shareholders
Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.
Please note that it is very unlikely that either the Company or the Company's Registrar, Equiniti Limited, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.
If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company Secretary or the Registrar at the numbers provided on page 47.

Investor Information

Results and Dividend

Half year results announced in August
Full year results announced in March
Interim Management Statements announced in May and October
Report and Financial Statements, posted in March
Annual General Meeting held in London in April
Annual dividend for 2012 announced February, paid in March

Share Price Information

The market price of the Company's ordinary shares and the net asset value is quoted daily at www.hendersonasiangrowthtrust.com. The Financial Times, and other leading newspapers publish the share price daily. The Financial Times also provides an estimate of the net asset value and of the discount/premium.

The London Stock Exchange Daily Official List (SEDOL) code is 0871079.

London Stock Exchange
LISTED
PREMIUM

Investing in the Company

Ordinary shares may be bought or sold directly through a stockbroker, other independent financial adviser or through a number of banks or building societies which provide this service.

New Zealand Listing

The Company has a listing for its ordinary shares on the New Zealand Stock Exchange. Shareholders in New Zealand are able to trade their shares locally and receive dividends in New Zealand dollars. Shares may be transferred to the Auckland branch register by contacting the registrars in New Zealand, Computershare Investor Services Limited.

The Company is a member of

aic
The Association of Investment Companies

Nominee Code

Where shares in the Company are held by nominee companies, the Company undertakes to:

- provide to nominees who have indicated in advance a wish to receive them, copies of shareholder communications for distribution to their customers; and
- encourage nominees to advise investors that they will be welcome to attend general meetings and to speak when invited to do so by the Chairman.

Investors who invest via Halifax Share Dealing Limited or Henderson ISAs will cease to receive all shareholder communications following the change in manager.

Halifax Share Dealing Limited

Lovell Park Road
Leeds LS1 1NS
Telephone: 0845 609 0408

Henderson ISA Department

Henderson Global Investors
PO Box 10665
Chelmsford
CM99 2BF
Telephone: 0800 856 5656

Disability Statement

Copies of this Report and Financial Statements or other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact our Registrars, Equiniti Limited, who have installed textphones to allow speech and hearing impaired people who have their own textphones to contact them directly by ringing 0870 702 0005 without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People), dial 18001 followed by the number you wish to dial.

Investor Information

continued

Directors
David Robins (Chairman)*
Hugh Aldous*†
David Brief
Christopher Keljik OBE*†
Alexandra Mackesy*†
Struan Robertson*†

*Independent director and member of the Management Engagement Committee and the Nominations Committee.

†Member of the Audit Committee.

The Management Engagement Committee and the Nominations Committee are chaired by David Robins and the Audit Committee by Hugh Aldous.

Investment Manager
Henderson Global Investors Limited is authorised and regulated by the Financial Services Authority and is represented by Andrew Beal, supported by Marc Franklin. Both are based in London

Company Secretary
Henderson Secretarial Services Limited

Registered Office
201 Bishopsgate
London EC2M 3AE
Telephone: +44 (0)20 7818 1818
www.hendersonasiangrowthtrust.com

Registered Number
Registered as an investment company
in England No 2153093

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London SE1 2RT
www.pwc.com

UK Stockbrokers
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA
Telephone: +44 (0)20 3100 0000
www.wins.co.uk

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

Telephone: 0800 389 0306, +(44) 121 4150 179 if calling from overseas.

There is now a range of shareholder information online. You can check your holding and find practical help on transferring shares or updating your details at www.shareview.co.uk

New Zealand Stockbrokers
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Level 20, ANZ Centre
23-29 Albert Centre
PO Box 5333
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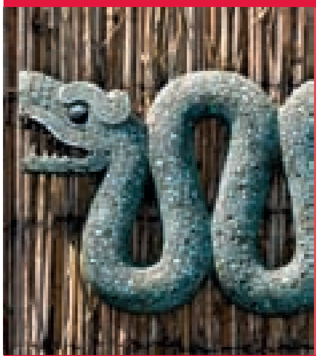
As from 15 March 2013

Investment Manager, Secretary and Registered Office.
Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: (0)20 7658 3894
www.asiantotalreturninvestmentcompany.com

Notes:



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