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For immediate release

28 November 2023

Abrdn China Investment Company Limited (the "Company" or "ACIC")

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

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

Commenting on the Proposals, Helen Green, Chair of the Company, said:

"After a very thorough review process, including consultation with the Company's major shareholders, the Board has concluded that the best practicable option to address the Company's over-concentrated register and to provide significantly improved liquidity to our shareholders is to merge with Fidelity China, which is both sizeable and the clear leader in the China investment company sector."

Key benefits of the Proposals:

- Fidelity China is the top performing UK listed investment company specialising in China over 1, 3, 5 and 10 years by NAV total return.
- Fidelity China, which was launched in 2010, is also the largest UK listed investment company specialising in China with net assets as at 31 October 2023 of £1.1 billion.
- ACIC shareholders rolling over into Fidelity China are likely to benefit from the far greater liquidity available in the market for Fidelity China shares, should they subsequently wish to realise their investment.
- The Proposals include a cash exit opportunity of up to 33 per cent of ACIC's shares in issue, at a 2 per cent discount to formula asset value ("**FAV**") per ordinary share.
- Fidelity China's manager, FIL Investment Services (UK) Limited, has demonstrated its support for the Proposals by offering to underwrite a portion of the costs of implementing the Proposals.

Background to the Proposals

The Board has long been working on ways to address the concentration of the Company's share register and the consequent lack of liquidity and persistent discount at which its shares trade. This concentration and lack of liquidity has been a subject of significant and increasing dissatisfaction for a number of the Company's major shareholders. Up until its change to a China investment mandate in October 2021, the Company had invested on a fund of funds basis. Whilst this had helped generate attractive returns for investors, the fund of funds structure had clearly moved out of favour and the Company's register became increasingly narrow with a free float at the time of the change of mandate of only 16 per cent. It was believed that a change to a more appealing direct investment into China mandate, and a merger with Aberdeen New Thai Investment Trust PLC helping to broaden the share register, would pave the way for improved appeal to a wider range of investors. However, the Company's share register continues to be excessively concentrated, with just three shareholders accounting for over 70 per cent of the Company's issued share capital and, despite an active share buyback campaign, the discount at which the Company's shares trade remains disappointing.

The Board has considered alternatives for improving the situation, including potentially liquidating or merging with another trust. The Board has consulted with the Company's major shareholders and it has become clear that the consensus is for a merger with Fidelity China with the option of a partial cash exit at a small discount to FAV

The Proposals

The Board has in principle agreed heads of terms for a combination of the Company with Fidelity China. Fidelity China's investment objective is to achieve long-term capital growth from an actively managed portfolio made up primarily of securities issued by companies in China, both listed and unlisted, as well as Chinese companies listed elsewhere. Fidelity China may also invest in companies with significant interests in China. The combination, if approved by each company's shareholders at the requisite general meetings, will be implemented through a Guernsey scheme of reconstruction pursuant to which the Company will be placed into voluntary liquidation and part of its cash, assets and undertaking will be transferred to Fidelity China in exchange for the issue of new Fidelity China shares to Shareholders (the "**Scheme**").

New Fidelity China shares that are issued to Shareholders will be issued on a FAV-to-FAV basis. FAVs will be calculated using the respective net asset values of each company, adjusted for the costs of the Proposals.

The Board believes that whilst many Shareholders may wish to continue to be invested, it is appropriate as part of the Proposals to offer those Shareholders wishing to realise at least part of their investment in the Company the opportunity to do so via a cash exit for up to 33 per cent of the Company's shares in issue, at a 2 per cent. discount to FAV per share of the Company (the "**Cash Option Discount**"). Consequently, each Shareholder will have a basic entitlement to elect to receive cash in respect of 33 per cent of their shares in the Company. Shareholders will also be able to elect to receive cash in respect of a larger proportion of their shares, with elections in excess of the basic entitlement being accepted pro rata to the extent that any Shareholders choose not to elect for the cash exit. The benefit of the Cash Option Discount will be credited to the interests of the Shareholders rolling over their shareholdings in ACIC into the enlarged Fidelity China.

The combination with Fidelity China is expected to greatly improve share trading liquidity for shareholders as well as spreading the fixed costs of Fidelity China, as the continuing entity, over a larger pool of assets.

City Code

In accordance with customary practice for a Guernsey scheme of reconstruction, the City Code on Takeovers and Mergers is not expected to apply to the combination of the Company and Fidelity China.

Approvals

Implementation of the Proposals is subject to the approval, inter alia, of Shareholders as well as regulatory and tax approvals and approval by the shareholders of Fidelity China. A circular providing further details of the Proposals and convening the general meeting to seek the necessary Shareholder approvals will be published by the Company as soon as practicable. It is anticipated that the Proposals will be implemented by the end of Q1 2024.

The Company has consulted with a number of its major shareholders who have indicated support for the Proposals. These comprise approximately 73 per cent of the Company's share register.

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