

**THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) or, if outside the United Kingdom, another appropriately authorised financial adviser without delay.**

If you sell or have sold or otherwise transferred all of your 2019 CULS, please send this Stockholder Circular as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee. If you receive this Stockholder Circular from another person, as a purchaser or transferee, please contact the Registrar for a Form of Proxy using the contact details at page 19 of this Stockholder Circular or go online at [www.asian-smaller.co.uk/itasiansmaller/](http://www.asian-smaller.co.uk/itasiansmaller/). If you sell or have sold or otherwise transferred only part of your holding of 2019 CULS, you should retain this Stockholder Circular and any accompanying documents and consult with the bank, stockbroker or other agent through whom the sale or transfer was effected as to the action you should take. However, neither this Stockholder Circular nor any accompanying documents should be released, published, distributed, forwarded or transmitted, in whole or in part, in, into or from any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction.

Aberdeen Fund Managers Limited (“**AFML**”), authorised and regulated by the Financial Conduct Authority, has been appointed as alternative investment fund manager to the Company. AFML has in turn delegated portfolio management to Aberdeen Asset Management Asia Limited (“**AAM Asia**”).

The directors of the Company, whose names appear on page 5 of this Stockholder Circular, and the Company itself, accept responsibility for the information contained in this Stockholder Circular. To the best of the knowledge of the directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Stockholder Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Panmure Gordon (UK) Limited (“**Panmure Gordon**”), which is authorised and regulated in the United Kingdom by the FCA, is acting solely for the Company and for no one else in connection with the Issue, Admission and the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Panmure Gordon or for affording advice in relation to the Issue, Admission, the Proposals or any other matter referred to in this Stockholder Circular. This does not exclude or limit any responsibility which Panmure Gordon may have under the FSMA or the regulatory regime established thereunder. Apart from the liabilities and responsibilities (if any) which may be imposed on Panmure Gordon by the FSMA or the regulatory regime established thereunder, Panmure Gordon make no representations, express or implied, nor accept any responsibility whatsoever for the contents of this Stockholder Circular nor for any other statement made or purported to be made by any of them or on their behalf in connection with the Company, the 2025 CULS, the Issue, Admission and the Proposals. Panmure Gordon and its affiliates accordingly disclaim all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which they might otherwise have in respect of this Stockholder Circular or any such statement.

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## **ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC**

*(Incorporated in England and Wales with registered number 03106339)*

*(an investment company under section 833 of the Companies Act 2006)*

### **PROPOSAL FOR THE REINVESTMENT AND/OR FINAL CONVERSION OF THE 2019 CULS AND NOTICE OF STOCKHOLDER MEETING**

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A notice convening a Stockholder Meeting of the Company is set out in Part VI of this Stockholder Circular. That meeting will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on 23 May 2018 commencing at 9.05 a.m. To be valid for use at the Stockholder Meeting, the accompanying Form of Proxy should be completed and returned in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by no later than 9.05 a.m. on 21 May 2018. Appointments of proxies in respect of 2019 CULS held in uncertificated form may be made by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in the notes at the end of the notice convening the Stockholder Meeting in Part VI of this Stockholder Circular as soon as possible and, in any event, so as to be received by no later than 9.05 a.m. on 21 May 2018.

2019 CULS Holders wishing to exercise their Special Conversion Right should complete the Conversion Notice enclosed with this Stockholder Circular. To be valid, Conversion Notices must be completed and returned by post to Equiniti Limited at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by hand (during business hours only) to Equiniti Limited at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 18 May 2018.

Applications have been made to the UKLA for the 2025 CULS to be issued pursuant to the Issue to be admitted to the Official List (Standard Debt segment) and to the London Stock Exchange for such 2025 CULS to be admitted to trading on the London Stock Exchange’s Main Market. It is expected that Admission will become effective and that dealings in the 2025 CULS to be issued pursuant to the Issue will commence at 8.00 a.m. on 29 May 2018. Application will be made to the UKLA for the Ordinary Shares to be issued pursuant to the Special Conversion Right to be admitted to the Official List (premium segment) and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange’s Main Market.

Prior to completion of the Issue, application will be made to the UKLA for the cancellation of the standard listing of the 2019 CULS on the Official List. It is expected that such cancellation will take effect at 8.00 a.m. on 29 May 2018.

The release, publication or distribution of this document and/or any accompanying document (in whole or in part) in, into or from jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions and applicable requirements. Any failure to comply with those restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction. In particular, Overseas 2019 CULS Holders are directed to the Important Information noted on page 5 of this Stockholder Circular.

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## EXPECTED TIMETABLE

**Timings in relation to the Placing and the Open Offer but which are not directly relevant to the Proposals are set out in the Prospectus.**

	2018
Prospectus despatched	20 April
Stockholder Circular, related Conversion Form and Form of Proxy despatched	20 April
Period for exercise of the Special Conversion Right opens	20 April
Latest date for submission of Conversion Notices	11.00 a.m. on 18 May
Record date for the Reinvestment Scheme	6.00 p.m. on 18 May
Calculation Date	close of business on 18 May
Latest time and date for receipt of Forms of Proxy and electronic proxy appointments via CREST system for use at Stockholder Meeting	9.05 a.m. on 21 May
Result of the Reinvestment Scheme and conversions under the Special Conversion Right and Reinvestment Price announced through an RIS	22 May
General Meeting of Ordinary Shareholders to approve, <i>inter alia</i> , matters in connection with the Issue	9.00 a.m. on 23 May
Stockholder Meeting to approve the Proposals	9.05 a.m. on 23 May
Record Date for final interest payment on 2019 CULS	6.00 p.m. on 25 May
Purchase of 2019 CULS by Panmure Gordon under the Reinvestment Scheme becomes effective	8.00 a.m. on 29 May
Repurchase by the Company of 2019 CULS from Panmure Gordon under the Reinvestment Scheme	29 May
Admission of the 2025 CULS issued pursuant to the Issue and of the Ordinary Shares issued pursuant to the Special Conversion Right to the Official List	8.00 a.m on 29 May
Cancellation of the listing of the 2019 CULS	8.00 a.m on 29 May
CREST stock accounts credited with 2025 CULS and Ordinary Shares issued in uncertificated form	29 May
Definitive certificates for 2025 CULS and Ordinary Shares issued in certificated form despatched	week commencing 4 June

### Notes:

1. References to times in this Stockholder Circular are to London time.
2. All times and dates in the expected timetable above and elsewhere in this Stockholder Circular are indicative only and may be adjusted by the Company, Panmure Gordon and the Trustee acting together. Any changes to the timetable will be notified by publication of a notice through an RIS.
3. CREST 2019 CULS Holders should inform themselves of CREST's requirements in relation to electronic proxy appointments.

## ILLUSTRATIVE ISSUE STATISTICS

Illustrative Reinvestment Price <sup>1</sup>	124.39p for £1 nominal of 2019 CULS
2025 CULS issue price per £1 nominal	£1
2025 CULS to be issued under the Reinvestment Scheme	such nominal value of 2025 CULS as will equate to the number of 2019 CULS sold pursuant to the Reinvestment Scheme multiplied by the Reinvestment Price
2025 CULS interest rate (per annum)	2.25 per cent.
2025 CULS conversion premium <sup>2</sup>	20 per cent.
Illustrative Conversion Price of the 2025 CULS <sup>3</sup>	1415p
Number of Ordinary Shares to be issued on exercise of 2025 CULS conversion rights <sup>4</sup>	2,614,841

## DEALING CODES

	<i>Ordinary Shares</i>	<i>2019 CULS</i>	<i>2025 CULS</i>
ISIN	GB0000100767	GB00B7ZMLM88	GB00BFZOWT29
SEDOL number	00100767	B7ZMLM8	BFZOWT29
TIDM	AAS	AASC	AASC

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1. For illustrative purposes only, calculated based on the unaudited NAV per Ordinary Share as at 18 April 2018, and the average discount at which Ordinary Shares had traded over the previous 10 dealing days, namely 12.7 per cent.
  2. To the unaudited NAV per Ordinary Share as at the Calculation Date.
  3. For illustrative purposes only, calculated on the basis of the unaudited NAV per Ordinary Shares as at 18 April 2018.
  4. Based on the illustrative Conversion Price of the 2025 CULS and on the assumption that £37 million 2025 CULS are issued and are converted into Ordinary Shares.

## IMPORTANT INFORMATION

Investors should rely only on the information contained in this Stockholder Circular. No person has been authorised to give any information or to make any representations other than those contained in this Stockholder Circular in connection with the Issue and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Investment Manager or Panmure Gordon. Neither the delivery of this Stockholder Circular nor any application for 2025 CULS pursuant to this Stockholder Circular shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Stockholder Circular or that the information contained in this Stockholder Circular is correct as of any time subsequent to its date.

Neither the 2025 CULS, the 2019 CULS nor the Ordinary Shares arising on any conversion of the 2025 CULS or 2019 CULS have been, or will be, registered under the United States Securities Act of 1933 (as amended) (the “**US Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and they may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act) (“**US Persons**”). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940 (as amended) (“**Investment Company Act**”) and the recipients of this Stockholder Circular will not be entitled to the benefits of that Act. This Prospectus should not be distributed into the United States or to US Persons.

None of the 2025 CULS, the 2019 CULS, the Ordinary Shares arising on any conversion of the 2025 CULS, the 2019 CULS or this Stockholder Circular have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the 2025 CULS or the accuracy or adequacy of this Stockholder Circular. Any representation to the contrary is a criminal offence in the United States.

### Overseas Shareholders

Neither this Stockholder Circular nor the Application Form constitutes an offer to sell or the solicitation of an offer to buy or subscribe for 2025 CULS or any Ordinary Shares arising on any conversion of the 2025 CULS in the United States or in any other jurisdiction in which such offer or solicitation is unlawful and neither this Stockholder Circular nor the Conversion Notice is for distribution, directly or indirectly, in, into or from an Excluded Jurisdiction.

Neither the 2025 CULS, the 2019 CULS nor the Ordinary Shares arising on any conversion of the 2025 CULS or the 2019 CULS have been, or will be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state or other jurisdiction of the United States or under the applicable securities laws of any other Excluded Jurisdiction. Neither the 2025 CULS, the 2019 CULS nor the Ordinary Shares arising on any conversion of the 2025 CULS, may be directly or indirectly offered, sold, renounced, transferred, taken up or delivered in, into or within an Excluded Jurisdiction or to or for the account or benefit of US Persons, or any person resident in any other Excluded Jurisdiction, or any other country or territory where to do so would or might contravene local securities laws or regulations. Conversion Notices are not being posted to any person in the United States. None of the 2025 CULS, the 2019 CULS nor the Ordinary Shares, this Stockholder Circular or the Conversion Notice have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the 2025 CULS or the accuracy or adequacy of this Stockholder Circular. Any representation to the contrary is a criminal offence in the United States.

It is the responsibility of any person receiving a copy of this Stockholder Circular outside the United Kingdom to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory. Persons (including, without limitation, nominees and trustees) receiving this Stockholder Circular, the Form of Proxy and, where relevant, the Conversion Notice should not distribute or send it into any jurisdiction when to do so would, or might, contravene local securities laws or regulations.

## **Regulatory Information**

As an investment trust, the 2025 CULS will be excluded securities under the FCA's rules on non-mainstream pooled investments. Accordingly, the promotion of the 2025 CULS will not be subject to the FCA's restriction on the promotion of non-mainstream pooled investments. The 2025 CULS should be considered as "complex" in accordance with MiFID II.

## **Forward-looking statements**

The Stockholder Circular contains, or is deemed to incorporate by reference, certain forecasts, projections and forward-looking statements – that is, statements related to future, not past events – with respect to the financial condition, results of operations and businesses of the Company and certain of the plans and objectives of the Company with respect to these items. These statements may generally, but not always, be identified by the use of words such as 'will', 'expects', 'is expected to', 'aims', 'should', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see' or similar expressions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of the Company.

Actual results may differ materially from those expressed in such statements, depending on a variety of factors discussed elsewhere in the Stockholder Circular including under "Risk Factors". In addition to factors set forth elsewhere in the Stockholder Circular, those referenced above are important factors, although not exhaustive, that may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

All forward-looking statements contained in this Stockholder Circular are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Readers should specifically consider the factors identified in this Stockholder Circular that could cause actual results to differ before taking any action in respect of the Issue.

Each forward-looking statement speaks only as at the date of this Stockholder Circular. The Company does not assume any obligation to update or correct the information contained in this Stockholder Circular (whether as a result of new information, future events or otherwise), except as required by applicable law. In particular, the Company will comply with its obligation to publish supplementary prospectuses containing further updated information as required by law or by a regulatory authority and, in particular, its obligations under the Listing Rules and the Disclosure and Transparency Rules (as appropriate). In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this Stockholder Circular.

## **No profit forecasts or estimates**

No statement in this Stockholder Circular is intended as a profit forecast or estimate for any period.

No statement in this Stockholder Circular should be interpreted to mean that earnings or earnings per share or dividend per share or cash flow from operations or free cash flow for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or dividend per share or cash flow from operations or free cash flow for the Company.

## **Latest practicable date**

All references in this Stockholder Circular to 18 April 2018 should be regarded as being references to the latest practicable date prior to the publication of this Stockholder Circular.

## PART I

### LETTER FROM THE CHAIRMAN

#### ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC

(Incorporated in England and Wales with registered number 03106339)  
(an investment company under section 833 of the Companies Act 2006)

##### Directors

Nigel Cayzer (Chairman)  
Randal Alexander McDonnell, Viscount Dunluce  
Haruko Fukuda OBE  
Martin Gilbert (Hugh Young as alternate)  
Chris Maude  
Philip Yea

##### Registered Office

Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

20 April 2018

Dear Stockholder

#### **PROPOSAL FOR THE REINVESTMENT AND/OR FINAL CONVERSION OF THE 2019 CULS AND NOTICE OF STOCKHOLDER MEETING**

##### **INTRODUCTION**

Further to recent announcements made by the Company, the Board today announced proposals to issue up to £37 million of a new class of 2025 CULS and to offer 2019 CULS Holders the opportunity either (a) to sell their 2019 CULS (to Panmure Gordon as intermediary) with the proceeds of the sale being reinvested in 2025 CULS (the “**Reinvestment Scheme**”), or (b) to convert their 2019 CULS into Ordinary Shares (the “**Special Conversion Right**”).

The 2019 Trust Deed for the existing 2019 CULS contains provisions whereby if the mid-market price of an Ordinary Share for at least 20 dealing days during 30 consecutive dealing days is 20 per cent. or more above the 2019 CULS Conversion Price of £8.30 per share, the Company has the right to serve notice on the 2019 CULS Holders either to redeem their 2019 CULS or convert them into Ordinary Shares at the 2019 CULS Conversion Price, thereby effectively bringing forward the final conversion or redemption of the 2019 CULS. Based on the price at which Ordinary Shares have traded during the last twelve months, the Company was entitled at substantially any time during that period to exercise that right.

Rather than exercise the Company’s right to bring forward the final conversion/redemption of the 2019 CULS the Board is putting forward proposals to allow 2019 CULS Holders to roll their stock into new 2025 CULS. The rights attached to the 2025 CULS are broadly similar to those attached to the 2019 CULS except, *inter alia*, as to expiry date and coupon (the latter reflecting lower borrowing rates now compared to when the 2019 CULS were issued). For those 2019 CULS Holders who do not wish to roll/over their 2019 CULS, a final opportunity is being made available for them to convert their 2019 CULS into Ordinary Shares pursuant to a Special Conversion Right.

The purpose of this document, *inter alia*, is to provide you with details, and explain the benefits, of the Reinvestment Scheme together with the related Special Conversion Right. The Reinvestment Scheme together with the Special Conversion Right are referred to as the “**Proposals**”. The Proposals are conditional, *inter alia*, on: (a) the approval by 2019 CULS Holders of the Extraordinary Resolution to be proposed at the Stockholder Meeting convened for 9.05 a.m. on 23 May 2018; and (b) the approval by Shareholders of the special resolution to be proposed at the General Meeting.

The Board makes no recommendation as to whether 2019 CULS Holders should convert their 2019 CULS into Ordinary Shares or sell them to Panmure Gordon for reinvestment into 2025 CULS (or a combination of both), which decision should be made by each 2019 CULS Holder based on his or her individual circumstances and investment criteria. 2019 CULS Holders who are in any doubt as to the action they should take should consult their financial and/or tax adviser.

**2019 CULS Holders should note that if they do not convert their 2019 CULS into new Ordinary Shares they will by default continue their investment through the Reinvestment Scheme and this may, depending on their individual circumstances, trigger a liability to capital gains tax. A shareholder converting 2019 CULS into new Ordinary Shares should not be liable to any capital gains tax until such time as those shares are sold. Further summary details on tax treatment are in Part VIII of the Prospectus.**

The notice convening the Stockholder Meeting is set out in Part VI of this Stockholder Circular and your Board is recommending that you vote in favour of the Extraordinary Resolution to be proposed at the Stockholder Meeting.

The notice convening the General Meeting is set out in Part XI of the Prospectus (incorporating a shareholder circular) published on the same date as this Stockholder Circular.

## **SUMMARY TERMS OF THE REINVESTMENT SCHEME**

The Reinvestment Scheme, which is conditional upon the Proposals becoming effective, involves the sale by those 2019 CULS Holders who do not exercise their Special Conversion Right of their 2019 CULS to Panmure Gordon who will then reinvest the proceeds of the sale to subscribe for new 2025 CULS for and on behalf of the selling 2019 CULS Holders.

The price payable for the 2019 CULS under the Reinvestment Scheme (the “**Reinvestment Price**”) will be determined by reference to the conversion price (£8.30) and the prevailing price of the Ordinary Shares. That is to say that the number of Ordinary Shares to which a 2019 CULS Holder is notionally entitled on conversion will be calculated by reference to the conversion price; the number of shares so calculated will then be multiplied by the prevailing Ordinary Share price in order to ascertain the price payable for the 2019 CULS. For this purpose, in order to reduce the impact of any short term discount volatility the prevailing share price will be taken to be the NAV per Ordinary Shares on the calculation date (shortly before Admission) less the average discount to NAV at which Ordinary Shares will have traded over the preceding ten trading days.

Accordingly, the price paid by Panmure Gordon for the acquisition of the 2019 CULS and the nominal value of the 2025 CULS issued to 2019 CULS Holders who do not exercise their Special Conversion Right shall be the nominal value of the 2019 CULS that are rolling over multiplied by the Reinvestment Price.

Following completion of the subscription for the 2025 CULS, Panmure Gordon will sell the 2019 CULS purchased by them back to the Company pursuant to a Repurchase Agreement between the Company and Panmure Gordon at the Reinvestment Price. The 2019 CULS which the Company acquires from Panmure Gordon will be cancelled.

Those 2019 CULS Holders not wishing to participate in the Reinvestment Scheme are being offered the opportunity to elect to convert some or all of their 2019 CULS into Ordinary Shares pursuant to a Special Conversion Right as further described below.

The Board has proposed the Proposals a year before the scheduled maturity of the existing 2019 CULS in part to take advantage of the opportunity in current market conditions to issue the 2025 CULS on terms attractive to the Company.

Further details of the terms and conditions of the Reinvestment Scheme are set out in Part II of this Stockholder Circular.

## **SUMMARY OF THE SPECIAL CONVERSION RIGHT**

In order to facilitate an exit for 2019 CULS Holders who do not wish to participate in the Reinvestment Scheme, it is proposed that the 2019 CULS Holders be granted a Special Conversion Right allowing them to convert some or all of their 2019 CULS into Ordinary Shares. If the Proposals become unconditional, the Special Conversion Right would represent a final opportunity for the 2019 CULS Holders to convert their 2019 CULS into Ordinary Shares at the 2019 CULS Conversion Price.



Further details of the terms and conditions of the Special Conversion Right are set out in Part II of this Stockholder Circular and important information for 2019 CULS Holders on how to exercise their Special Conversion Right is set out in Part III.

Should the Proposals not become effective, the Special Conversion Right will lapse. In these circumstances, it is acknowledged that the 2019 CULS Holders would have missed their usual opportunity to convert their 2019 CULS under the 2019 Trust Deed during the conversion period ending on 31 May 2018. The Company has undertaken with the Trustee, in such circumstances, to offer to the 2019 CULS an extended period of 14 days ending on 14 June 2018 in which to exercise their right to convert their 2019 CULS under the 2019 Trust Deed. A reminder of such conversion rights would be issued through an RIS.

### **LISTING OF 2025 CULS**

Application will be made to the London Stock Exchange for the 2025 CULS to be admitted to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective and that dealings in the 2025 CULS to be issued pursuant to the Reinvestment Scheme and the Issue will commence at 8.00 a.m. on 29 May 2018.

### **BENEFITS OF THE PROPOSALS FOR 2019 CULS HOLDERS**

Directors believe that the Proposals will benefit the 2019 CULS Holders as it will provide them with a choice either to sell their 2019 CULS pursuant to the Reinvestment Scheme with the proceeds being reinvested into a new class of 2025 CULS with an extended life of seven years to 2025, or to convert their 2019 CULS into Ordinary Shares, or any combination of these two options. In addition, the Proposals have the following advantages:

The 2025 CULS will provide 2025 CULS Holders with:

- an attractive yield of 2.25 per cent. per annum, which is above the dividend yield on the Ordinary Shares of (approximately 1.55 per cent. based on the most recent annual dividend of 16p per Ordinary Share (including the special dividend of 4p) and an Ordinary Share price of 1035p at the close of business on 18 April 2018);
- repayment at par ranking ahead of the Ordinary Shares, with the repayment currently being well covered by the assets of the Company (more than 10 times covered based on an Issue of £37 million nominal of 2025 CULS and unaudited net assets of approximately £404.7 million as at 18 April 2018); and
- the potential to participate in further growth in the NAV per Ordinary Share through the ability, semi-annually, to convert the 2025 CULS into new Ordinary Shares over the next seven years.

The Special Conversion Right offers 2019 CULS Holders who do not wish to sell their 2019 CULS pursuant to the Reinvestment Scheme a right to convert some or all of their 2019 CULS at the 2019 CULS Conversion Price in advance of the next opportunity ordinarily available under the 2019 Trust Deed to do so (i.e. in advance of 31 May 2018).

The 2025 CULS will give the Company long-term structural gearing at a fixed cost that is competitive with the cost of other forms of gearing that the Company might have employed and which has the potential to be converted into the permanent capital base of the Company and additional investable funds, thereby increasing the Company's ability to make new investments of the kind that have contributed significantly to its performance in the past.

### **INFORMATION ON THE 2025 CULS**

The interest rate on the 2025 CULS will be 2.25 per cent. per annum, payable semi-annually in arrears on 30 November and 31 May in each year (with the first interest payment on 30 November 2018) in respect of the period from (and including) the date of Admission (expected to be 29 May 2018) to (but excluding) the date of final repayment of the 2025 CULS (expected to be 31 May 2025). The coupon on the 2025 CULS will be charged to revenue in accordance with the Company's existing policy of charging finance costs.

2025 CULS Holders will be entitled to convert their 2025 CULS into Ordinary Shares twice annually, being every six months from 30 November 2018 until 31 May 2025. The 2025 CULS Conversion Price (being the nominal amount of 2025 CULS required to convert into one Ordinary Share) will be set at a 20 per cent.

premium to the unaudited NAV fully diluted (including income) per Ordinary Share at the close of business on 18 May 2018 rounded down to the nearest 5 pence. The Company will announce the 2025 CULS Conversion Price through an RIS as soon as practicable following its calculation.

By way of illustration, had the 2025 CULS Conversion Price been set by reference to the unaudited NAV fully diluted (including income) per Ordinary Share at 18 April 2018 of 1182.80p, the conversion price would have been 1415p and a holder of £1,000 nominal of 2025 CULS would have been entitled to 70 Ordinary Shares on conversion of their 2025 CULS. Under the terms of the 2025 Trust Deed, the 2025 CULS Conversion Price will be subject to subsequent adjustment on the occurrence of certain events (as is the case with the 2019 CULS).

Other provisions which will apply to the 2025 CULS (again, consistent with the terms of the 2019 CULS) include:

- If, at any time after 31 May 2021, the middle market price of the Ordinary Shares is 20 per cent. or more above the 2025 CULS Conversion Price for at least 20 dealing days during a period of 30 consecutive dealing days, the Company will be able to require 2025 CULS Holders to redeem their 2025 CULS at par. In such event, 2025 CULS Holders would be given a final opportunity to convert their outstanding 2025 CULS into Ordinary Shares. Following conversion of 80 per cent. or more of the nominal amount of the 2025 CULS originally issued, the Company will be entitled to require remaining 2025 CULS Holders to convert their outstanding 2025 CULS into Ordinary Shares after they have been given an opportunity to have their 2025 CULS redeemed at their nominal amount plus accrued interest;
- If, at any time after 31 May 2021, the nominal value of the outstanding 2025 CULS represents 30 per cent. or more of the Company's net assets, the Company shall be entitled to redeem all outstanding 2025 CULS at its nominal amount together with accrued interest up to (but excluding) the date of redemption; and
- Any 2025 CULS not previously redeemed, purchased or converted will be repaid by the Company on 31 May 2025 at its nominal amount.

The 2025 Trust Deed includes an additional covenant on the Company (as an addition to the terms of the 2019 CULS) that the Company shall not make purchases of its Ordinary Shares by tender offer, market purchase or other mechanism, at a price per Ordinary Share at or below the NAV per Ordinary Share (as determined by the Directors on a date falling not more than 10 days before the date of purchase) if the Company's gearing is in excess of 50 per cent. of NAV.

On a winding-up of the Company, the nominal amount of the 2025 CULS will rank ahead of the Ordinary Shares, but will be subordinated to the Company's other borrowings and creditors. The 2025 Trust Deed will not contain any restriction on borrowings (including borrowings ranking ahead of the 2025 CULS), the disposal of assets or the creation of charges by, or changes in the nature of the business of, the Company.

The 2025 CULS will be issued in registered form, and may be held in certificated or uncertificated form. 2025 CULS acquired pursuant to the Reinvestment Scheme, the Placing or the Open Offer can be held within an ISA, SIPP or SSAS.

Part IV of the Prospectus contains further details of the 2025 CULS and the Issue and has been published on the Company's website ([www.asian-smaller.co.uk/itasiansmaller/](http://www.asian-smaller.co.uk/itasiansmaller/)).

## **SAVINGS PLANS PARTICIPANTS**

A separate letter is being sent to Savings Plans Participants (together with a Form of Direction) setting out what action they should take in relation to voting on the Proposals described in this Stockholder Circular at the Stockholder Meeting. As the 2025 CULS are deemed "complex" instruments under the terms of MiFID II, the administrator of the Savings Plans has determined that the 2025 CULS are not eligible securities for the Savings Plans and the 2025 CULS are not therefore being made available to Savings Plans Participants under the Reinvestment Scheme. The administrator will instead exercise the Special Conversion Right in respect of all 2019 CULS held by Savings Plans Participants.

## **COSTS AND EXPENSES**

Assuming that the Issue results in a total nominal amount of £37 million of 2025 CULS, the costs and expenses of the Proposals and the other matters described in the Prospectus (excluding VAT but including stamp duty on the assumption that approximately half of the 2019 CULS Holders roll their stock into new 2025 CULS) are estimated to be approximately £0.78 million and will be paid by the Company.

## **THE TRUSTEE**

In accordance with normal practice, the Trustee expresses no opinion as to the merits of the Extraordinary Resolution or the Proposals, nor does it accept any responsibility for the accuracy or completeness of this or any other document prepared in connection with the Proposals, the terms of which were not negotiated by it. It has, however, authorised it to be stated that, on the basis of the information contained in this document (which it advises 2019 CULS Holders to read carefully), it has no objection to the Extraordinary Resolution being put to 2019 CULS Holders for their consideration.

The Trustee has, however, not been involved in formulating the Proposals and makes no representation that all relevant information has been disclosed to 2019 CULS Holders in this document. Accordingly, the Trustee urges 2019 CULS Holders who are in doubt as to the impact of the implementation of the Proposals to seek their own independent financial advice.

## **CONSENT**

Panmure Gordon, which is authorised and regulated by the FCA, has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

## **STOCKHOLDER MEETING**

You will find in Part VI of this Stockholder Circular a notice convening the Stockholder Meeting. At the Stockholder Meeting, the Extraordinary Resolution will be proposed. In order to be passed, the Extraordinary Resolution requires at least three-quarters of the votes cast to be in favour of it. The quorum for passing the Extraordinary Resolution requires one or more persons being 2019 CULS Holders present in person or by proxy or (in the case of a 2019 CULS Holder which is a corporation) by its duly authorised representative and holding or representing in the aggregate a clear majority in nominal amount of the 2019 CULS for the time being outstanding.

The Extraordinary Resolution is conditional on the Shareholder Resolution being passed by the Shareholders at the General Meeting.

The Stockholder Meeting will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH, at 9.05 a.m. on 23 May 2018 or as soon thereafter as the Company's General Meeting is concluded or adjourned.

A copy of the 2019 Trust Deed, a copy of the Repurchase Agreement and a draft of the 2025 Trust Deed will be available for inspection at the Company's registered office Bow Bells House, 1 Bread Street, London EC4M 9HH from the date hereof and at the venue of the Stockholder Meeting for at least 15 minutes prior to the Stockholder Meeting, in all cases until the end of the Stockholder Meeting.

## **ACTION TO BE TAKEN**

You will find enclosed with this document a white Form of Proxy for use at the Stockholder Meeting. Alternatively, 2019 CULS Holders who are CREST members may utilise the CREST appointment services. Also enclosed with this document is a Conversion Notice for use in connection with the exercising of the Special Conversion Right.

**Whether or not you intend to attend the Stockholder Meeting, you are requested to complete the white Form of Proxy, or to utilise the CREST electronic proxy appointment services, in each case in accordance with the instructions printed on the white Form of Proxy and the Notice set out in Part VI of this document. The completed white Form of Proxy, and/or instruction made through**

**the CREST electronic proxy appointment services, should be received by Equiniti, no later than 9.05 a.m. on 21 May 2018.**

Completion of a white Form of Proxy or appointing a proxy through the CREST electronic appointment services will not prevent you from subsequently attending and voting in person at the Stockholder Meeting.

**It is important to note that on the passing of the Extraordinary Resolution, the Reinvestment Scheme will be binding on all 2019 CULS in respect of which the Special Conversion Right has not been exercised. Accordingly, other than to complete the white Form of Proxy, no action in this regard is required by 2019 CULS Holders wishing to sell their 2019 CULS pursuant to the Reinvestment Scheme and thereby rollover into 2025 CULS.**

Completed Conversion Notices in connection with the exercising of the Special Conversion Right by a 2019 CULS Holder must be sent by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by hand (during business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 18 May 2018.

### **RECOMMENDATION**

The Board, which has received financial advice from Panmure Gordon, considers the Extraordinary Resolution to be in the best interests of the 2019 CULS Holders and the Company as a whole. In providing its financial advice, Panmure Gordon has taken into account the Board's commercial assessment of the Proposals. Accordingly, the Board unanimously recommends all 2019 CULS Holders to vote in favour of the Extraordinary Resolution.

Viscount Dunluce and Hugh Young, who hold 2019 CULS, intend to vote in favour of the Extraordinary Resolution in respect of their beneficial holdings amounting to 124,400 2019 CULS.

Yours faithfully

Nigel Cayzer  
*Chairman*

## PART II

### TERMS AND CONDITIONS OF THE PROPOSALS

#### 1. DEFINITIONS

Words and expressions used in this Part II have the same meanings as given thereto in Part V of this document.

#### 2. REINVESTMENT SCHEME

- 2.1 Subject to the passing of the Extraordinary Resolution and the Shareholder Resolution and the Proposals becoming unconditional in accordance with paragraph 5 of this Part II, Panmure Gordon will, as principal, acquire from 2019 CULS Holders on the register on the Record Date all 2019 CULS in issue in respect of which a valid Conversion Notice has not been received in accordance with paragraph 6 below ("**Initial Purchase**"). The purchase price payable by Panmure Gordon for each £1 nominal of 2019 CULS under the Initial Purchase will be the Reinvestment Price.
- 2.2 Panmure Gordon will subject to the Proposals becoming unconditional in accordance with paragraph 5 of Part II and subsequent to the Initial Purchase apply the proceeds of the Initial Purchase to subscribe for new 2025 CULS at par on behalf of those 2019 CULS Holders who sold their 2019 CULS pursuant to the Initial Purchase (the "**Subscription**").
- 2.3 Following completion of the Subscription, and subject to the Proposals becoming unconditional in accordance with paragraph 5 of this Part II Panmure Gordon will sell the 2019 CULS purchased pursuant to the Initial Purchase back to the Company pursuant to the Repurchase Agreement at the Reinvestment Price. The 2019 CULS which the Company acquires from Panmure Gordon will be cancelled.
- 2.4 The terms of the Repurchase Agreement shall be as set out in paragraph 9.
- 2.5 The record date for the Reinvestment Scheme is 6.00 p.m. on 18 May 2018.
- 2.6 If the Extraordinary Resolution is passed and the Proposals otherwise become unconditional, the Reinvestment Scheme will be binding on all 2019 CULS Holders except to the extent they have converted their 2019 CULS under the Special Conversion Right.
- 2.7 Subject to the passing of the Extraordinary Resolution and the Proposals otherwise becoming unconditional, the 2019 CULS Holders not choosing to exercise the Special Conversion Right will be deemed to have irrevocably appointed any director or officer of Panmure Gordon as such 2019 CULS Holder's attorney and/or agent, and to have given an irrevocable instruction to the attorney to complete and execute all or any instruments of transfer and/or other documents at the attorney's discretion in relation to their 2019 CULS being purchased by Panmure Gordon pursuant to the Initial Purchase in favour of Panmure Gordon or such other person or persons as Panmure Gordon may direct and to deliver such instrument(s) of transfer and/or other document(s) at the discretion of the attorney, together with the 2019 CULS certificate(s) and/or other document(s) relating to such 2019 CULS.
- 2.8 Each 2019 CULS Holder agrees to, and by passing the Extraordinary Resolution will have directed and requested the Trustee to, ratify and confirm each and every act or thing which may be done or effected by Panmure Gordon or any of its directors or any person nominated by Panmure Gordon in the proper exercise of its or his or her powers and/or authorities hereunder.
- 2.9 Each 2019 CULS Holder shall do, and by passing the Extraordinary Resolution will have directed and requested the Trustee to do, all such acts and things as shall be necessary or expedient and execute any additional documents necessary in each case to complete the Initial Purchase and/or to perfect any of the authorities to be given hereunder.

- 2.10 If the appointment of the attorney and/or agent under paragraph 2.7 above shall be unenforceable or invalid or shall not operate so as to afford to Panmure Gordon the benefit or authority expressed to be given therein, by passing the Extraordinary Resolution the 2019 CULS Holders shall have directed and requested the Trustee (at the expense of the Company) with all practicable speed, do all such acts and things and execute all such documents that may be required to enable Panmure Gordon to secure the full benefits of paragraph 2.7 above.

### **3. CALCULATION OF THE REINVESTMENT PRICE**

The Reinvestment Price will be calculated as follows:

- 3.1 The Company will calculate its NAV (fully diluted and including current year revenue) as at the Calculation Date on the same basis as the calculation of the NAV per Ordinary Share for the purpose of the Company's published financial statements. For this purpose, investments will be valued at fair value on the following basis:
- 3.1.1 investments of the Company which are listed securities are valued at their bid price or last traded price, depending on the convention of the exchange on which the investment is listed, and adjusted for accrued income where it is reflected in the market price;
  - 3.1.2 investments which are not listed or where trading in the securities of an investee company is suspended are valued at the Board's best estimate of fair value;
  - 3.1.3 unlisted investments are valued by the Directors on the basis of all the information available to them at the time of valuation (this includes a review of the financial and trading information of the company, covenant compliance, ability to pay the interest due and cash held and, in the case of convertible bonds, also includes consideration of their discounted cash flows and underlying equity value based on the information provided by the Investment Manager); and
  - 3.1.4 cash and bank deposits are valued by reference to their face value; and investments held in currencies other than sterling are translated at the rates of exchange applying on the relevant valuation date, provided that, where no reliable fair value can be estimated, investments may be carried at cost less any provision for impairment.
- 3.2 The Company will then calculate the average percentage discount from NAV at which the Ordinary Shares traded over the preceding ten business days prior to the Calculation Date, based on the NAV (fully diluted including current year revenue) announced on each such day less the closing mid market price.
- 3.3 The Reinvestment Price will be the amount equal to the NAV per Ordinary Share calculated on the basis of paragraph 3.1 less the average percentage discount calculated in accordance with paragraph 3.2 above, and expressed in pence Sterling to two decimal places as at the Calculation Date.
- 3.4 Except as otherwise stated, all assets and liabilities will be taken into account in accordance with the Company's normal accounting policies.

### **4. SPECIAL CONVERSION RIGHT**

- 4.1 Notwithstanding the terms of the 2019 CULS Trust Deed, each 2019 CULS Holder shall be entitled to exercise a Special Conversion Right in respect of the whole or such part (being an integral multiple of £1 nominal) of their 2019 CULS as they may specify into fully paid Ordinary Shares.
- 4.2 The Special Conversion Right shall be exercisable at any time during the period beginning 20 April 2018 and ending at 11.00 a.m. on 18 May 2018, being the latest time for receipt of a Conversion Notice by Equiniti as noted in paragraph 4.5 below. A Conversion Notice for use in connection with the exercising of the Special Conversion Right is enclosed with this Stockholder Circular. For details as to how to exercise the Special Conversion Right, please see paragraph 6 of this Part II below.
- 4.3 The number of Ordinary Shares to be issued by the Company on the exercise of the Special Conversion Right shall be determined by dividing the nominal amount of the 2019 CULS to be converted by the 2019 CULS Conversion Price.

- 4.4 Subject to the passing of the Extraordinary Resolution, the Shareholder Resolution and the Proposals becoming unconditional in accordance with paragraph 5 of this Part II, 2019 CULS held by 2019 CULS Holders opting not to exercise their Special Conversion Right or, in the event that the Special Conversion Right is exercised in respect of a proportion of 2019 CULS, remaining 2019 CULS held by a 2019 CULS Holder will be sold to Panmure Gordon in accordance with paragraph 2.1 above at 8.00 a.m on 29 May 2018.
- 4.5 Completed Conversion Notices in connection with the exercising of the Special Conversion Right by a 2019 CULS Holder must be sent by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by hand (during business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 18 May 2018.
- 4.6 Should the Proposals not become unconditional in accordance with paragraph 5 of this Part II, the Special Conversion Right will lapse. In these circumstances, it is acknowledged that the 2019 CULS Holders will have missed their usual opportunity to convert their 2019 CULS under the 2019 Trust Deed during the conversion period ending on 31 May 2018. The Company has undertaken with the Trustee, in such circumstances, to offer to the 2019 CULS an extended period of 14 days ending on 14 June 2018 in which to exercise their right to convert their 2019 CULS under the 2019 Trust Deed. A reminder of such conversion rights would be issued through an RIS.

## **5. CONDITIONS**

- 5.1 The Proposals are conditional on the following conditions being satisfied:
- (a) approval by 2019 CULS Holders of the Extraordinary Resolution to be proposed at the Stockholder Meeting;
  - (b) approval by the Shareholders of the Shareholder Resolution proposed at the General Meeting;
  - (c) the Repurchase Agreement not having been terminated in accordance with its terms and the Proposals not having been terminated in accordance with paragraph 9 of this Part II; and
  - (d) Admission and also on admission of the Ordinary Shares arising on conversion pursuant to the Special Conversion Right.
- 5.2 Panmure Gordon will not complete the purchase of any 2019 CULS pursuant to the Reinvestment Scheme unless the Conditions have been satisfied in full or waived.

## **6. PROCEDURE FOR EXERCISING THE SPECIAL CONVERSION RIGHT**

### **6.1 2019 CULS HELD IN CERTIFICATED FORM (THAT IS, NOT IN CREST)**

In order to exercise, in whole or in part, the Special Conversion Right in respect of 2019 CULS in certificated form, the 2019 CULS Holder must lodge the relevant 2019 CULS certificate(s) together with a completed Conversion Notice at the office of Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by hand (during business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 18 May. Once lodged and subject to the Proposals becoming effective, a Conversion Notice shall be irrevocable, save with the consent of the Company.

If the 2019 CULS Holder has lost the relevant 2019 CULS certificate(s), the Company may accept a letter of indemnity in respect of the lost 2019 CULS certificate(s) at its absolute discretion.

### **6.2 2019 CULS HELD IN UNCERTIFICATED FORM (THAT IS, IN CREST)**

In order to exercise, in whole or in part, the Special Conversion Right in respect of 2019 CULS where 2019 CULS are held in uncertificated form the 2019 CULS Holder must lodge an uncertificated conversion notice in the form described below so as to be received by no later than 11.00 a.m. on 18 May. The prescribed form of uncertificated conversion notice is a TRANSFER TO ESCROW (**TTE**) instruction which, on settlement, will have the effect of crediting a stock account of Equiniti in accordance with the details specified below. The TTE instruction must be properly authenticated in

accordance with Euroclear's specifications and must contain the following details in addition to any other information required:

- (a) the nominal amount of 2019 CULS in respect of which the Special Conversion Right is being exercised;
- (b) the participant ID of the 2019 CULS Holder;
- (c) the member account ID of the 2019 CULS Holder;
- (d) the Registrar's participant ID: 6RA24;
- (e) the Registrar's member account ID: RA279003;
- (f) the corporate action number, which will be allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- (g) the corporate action ISIN: GB00B7ZMLM88; and
- (h) the intended settlement date: 11.00 a.m. on 18 May 2018.

The TTE instruction required to be input to settle by no later than 11.00 a.m. on 18 May 2018 in order to receive Ordinary Shares arising from conversion within 14 days thereafter. Once lodged and subject to the Proposals becoming effective, an uncertificated conversion notice shall be irrevocable, save with the consent of the Company.

### 6.3 **VALIDITY OF CONVERSION NOTICE AND TTE INSTRUCTION**

The Company reserves the right to treat as valid only Conversion Notices and TTE instructions which are received entirely in order by 11.00 a.m. on 18 May, which are accompanied (in the case of 2019 CULS held in certificated form) by the relevant 2019 CULS certificate(s) or a satisfactory indemnity in lieu thereof.

Notwithstanding the completion of a valid Conversion Notice or TTE instruction, the Proposals may terminate or lapse in accordance with the terms and conditions set out in this Part II.

The decision of the Company as to which 2019 CULS have been validly converted under the Special Conversion Right shall be conclusive and binding on 2019 CULS Holders.

## 7. **ANNOUNCEMENTS AND SETTLEMENT**

- 7.1 Unless terminated in accordance with the provisions of this Part II, the period for exercising the Special Conversion Right will close for 2019 CULS Holders at 11.00 a.m. on 18 May. Subject to the conditions noted at paragraph 5 above being satisfied, it is expected that on 21 May 2018 the Company will make a public announcement of the Reinvestment Price, the total number of 2019 CULS to be purchased by Panmure Gordon pursuant to the Initial Purchase and the total number of 2019 CULS to be converted pursuant to the Special Conversion Right.
- 7.2 Should the 2019 CULS Holders choose to reinvest in the 2025 CULS, Panmure Gordon will apply the proceeds of the Initial Purchase to subscribe for new 2025 CULS in accordance with paragraph 2.2 and 7.3 below.
- 7.3 2025 CULS to be issued under the Reinvestment Scheme shall be issued, credited as fully paid, to the participating 2019 CULS Holders conditional on Panmure Gordon's acquisition of the 2019 CULS having been effected in accordance with this Part II and on Admission.
- 7.4 Settlement of the 2025 CULS to which any 2019 CULS Holder is entitled pursuant to the Proposals is expected to be made on or as soon as practicable following Admission as follows:
  - 7.4.1 in the case of new 2025 CULS issued in certificated form, certificates for the 2025 CULS will be despatched during the week commencing 4 June 2018 (or as soon as practicable thereafter) to the 2019 CULS Holders entitled thereto at their respective addresses in the Company's Register of Members and/or Register of Stockholders (and, in the case of joint holders, to the addresses of the first named) at the risk of the persons entitled thereto; and



- 7.4.2 in the case of new 2025 CULS issued in uncertificated form, Euroclear will be instructed to credit the appropriate stock accounts in CREST of the 2019 CULS Holders entitled thereto with their respective entitlements to new 2025 CULS issued under the Proposals forthwith upon Admission becoming effective.
- 7.5 Settlement of the Ordinary Shares to which any 2019 CULS Holder is entitled pursuant to the Proposals is expected to be made on or as soon as practicable following Admission as follows:
- 7.5.1 in the case of Ordinary Shares issued in certificated form, certificates for the Ordinary Shares will be despatched during the week commencing 4 June 2018 (or as soon as practicable thereafter) to the 2019 CULS Holders entitled thereto at their respective addresses in the Company's Register of Members and/or Register of Stockholders (and, in the case of joint holders, to the addresses of the first named) at the risk of the persons entitled thereto; and
- 7.5.2 in the case of Ordinary Shares issued in uncertificated form, Euroclear will be instructed to credit the appropriate stock accounts in CREST of the 2019 CULS Holders entitled thereto with their respective entitlements to the Ordinary Shares issued under the Proposals forthwith upon Admission becoming effective.
- 7.6 Unless the Company otherwise determines or unless the regulations or the facilities, rules or requirements of the Relevant Electronic System otherwise require:
- 7.6.1 the 2025 CULS issued pursuant to the Reinvestment Scheme shall be issued in certificated form in respect of 2019 CULS which were held in certificated form at the time of purchase pursuant to the Initial Purchase and in uncertificated form in respect of 2019 CULS which were held in uncertificated form at the time of purchase pursuant to the Initial Purchase.
- 7.6.2 the Ordinary Shares issued on the exercise of the Special Conversion Right shall be issued in certificated form where the Special Conversion Right was exercised in respect of 2019 CULS which were held in certificated form and in uncertificated form where the Special Conversion Right was exercised in respect of 2019 CULS which were held in uncertificated form.

## **8. INTEREST PAYMENTS**

- 8.1 Interest on 2019 CULS will be payable up to (but excluding) 29 May 2018, being the date on which the listing of the 2019 CULS is cancelled, and will cease to accrue thereafter.
- 8.2 Interest on 2019 CULS converting pursuant to the Special Conversion Right will be payable up to (but excluding) 29 May 2018 and will cease to accrue thereafter.
- 8.3 Interest on the 2025 CULS will accrue in respect of the period from Admission.

## **9. REPURCHASE AGREEMENT**

- 9.1 The Company and Panmure Gordon entered into a Repurchase Agreement on 20 April 2018 pursuant to which the Company has agreed to purchase from Panmure Gordon such number of 2019 CULS as Panmure Gordon shall purchase pursuant to the Initial Purchase, at the Reinvestment Price at an aggregate price equal to the amount paid by Panmure Gordon for its purchase of the 2019 CULS with such price being satisfied by the Subscription, sequentially and in each case conditional upon satisfaction of the Conditions set out in Paragraph 5 of this Part II. The Proposals may be terminated if Panmure Gordon receives notice from the Company that, in the Board's reasonable opinion, any of the circumstances set out in paragraph 11 of this Part II of this document has arisen or in the event that the Repurchase Agreement is terminated in accordance with its terms.
- 9.2 In acquiring 2019 CULS pursuant to the Initial Purchase and in selling such 2019 CULS to the Company, Panmure Gordon will act as principal.
- 9.3 The Repurchase Agreement, which is stated not to create a relationship of agency between Panmure Gordon and the Company, is governed by and construed in accordance with English law.

## **10. FRACTIONS**

- 10.1 Fractions of Ordinary Shares will not be issued on exercise of the Special Conversion Right, and no payment of cash or other adjustment will be made in lieu thereof.
- 10.2 Fractions of 2025 CULS which would be created by application of the Reinvestment Price will be rounded down to the nearest whole £1 nominal of 2025 CULS and any fractional entitlements will not be allocated.

## **11. TERMINATION OF THE REINVESTMENT SCHEME AND THE SPECIAL CONVERSION RIGHT**

- 11.1 If the Company (acting through the Directors) shall, at any time prior to Panmure Gordon effecting the purchase as principal of the 2019 CULS pursuant to the Initial Purchase, notify Panmure Gordon in writing that in the Director's reasonable opinion the completion of the purchase of 2019 CULS pursuant to the Initial Purchase could have unexpected adverse fiscal, regulatory or other consequences (whether by reason of a change in legislation or practice or otherwise) for the Company or its Shareholders or 2019 CULS Holders if the Reinvestment Scheme were to proceed.
- 11.2 In those circumstances, the Proposals will be terminated unless, in certain circumstances after consultation with the Company, Panmure Gordon decides to proceed with the Proposals. If the Proposals are terminated, the Company will make an announcement through a RIS that such is the case and the Proposals shall cease and determine absolutely, without any liability on the part of the Company or Panmure Gordon.

## **12. ADDITIONAL PROVISIONS**

- 12.1 2019 CULS purchased by Panmure Gordon pursuant to the Initial Purchase will be acquired from Panmure Gordon by the Company pursuant to the Repurchase Agreement and such 2019 CULS will subsequently be cancelled.
- 12.2 2019 CULS acquired by Panmure Gordon pursuant to the Initial Purchase and by the Company pursuant to the Repurchase Agreement will be off-market purchases.
- 12.3 2019 CULS sold by 2019 CULS Holders pursuant to the Initial Purchase will be acquired with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after completion of the Initial Purchase.
- 12.4 If the Proposals do not become unconditional, are terminated or lapse, all documents lodged pursuant to the Proposals will be returned promptly by post, within 14 Business Days of the Proposals terminating or lapsing, to the person or agent whose name and address is set out in Part A of the Conversion Notice or, in the case of joint holders, the address of the 2019 CULS Holder first named in the register of 2019 CULS Holders of the Company. In the case of 2019 CULS held in uncertificated form, Equiniti in its capacity as escrow agent will, within 14 Business Days of the Proposals terminating or lapsing, give instructions to Euroclear to transfer all 2019 CULS held in escrow balances and in relation to which it is the escrow agent for the purposes of the Proposals by TTE instruction to the original available balances from which those 2019 CULS came. In any of these circumstances, Conversion Notices and USE instructions will cease to have any effect.

## **13. OVERSEAS 2019 CULS HOLDERS**

The exercise of the Special Conversion Right by any 2019 CULS Holders whose registered address is in an Excluded Jurisdiction or who is a citizen or national of, or resident in, an Excluded Jurisdiction or a custodian, nominee or trustee for a citizen or national of, or resident in, an Excluded Jurisdiction (including without limitation any US Person), and the right of such a 2019 CULS Holder to receive the Ordinary Shares falling to be issued to him following the exercise of his Conversion Rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its absolute discretion, for the purpose of complying with any applicable securities laws of the relevant jurisdiction, which, in the case of the United States, shall include the United States Securities Act of 1933, as amended (the

Securities Act), the United States Investment Company Act of 1940, as amended, and any rules or regulations promulgated under such Acts. As used herein, US Person means any person or entity defined as such in Rule 902(o) under the Securities Act, and without limiting the generality of the foregoing, US Person includes a natural person resident in the United States, a corporation or partnership organised or incorporated under the laws of the United States (including any State thereof) and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a US Person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.

#### **14. GOVERNING LAW**

The Proposals are governed by the laws of England and Wales and are subject to the jurisdiction of the courts of England and Wales.

## PART III

### SPECIAL CONVERSION RIGHT REMINDER NOTICE TO 2019 CULS HOLDERS

#### DEFINITIONS

Words and expressions used in this Part III have the same meanings as given thereto in Part V of this document.

#### NOTICE TO 2019 CULS HOLDERS OF SPECIAL CONVERSION RIGHT

The Company notifies 2019 CULS Holders that, subject to the Proposals discussed in this document becoming effective, they will have the right to convert (“**Special Conversion Right**”) the whole or such part (being an integral multiple of £1 nominal) of their 2019 CULS as they may specify into fully paid Ordinary Shares at any time during the period of 28 days ending on 18 May 2018 (the “**Conversion Date**”) in accordance with the terms of issue of Proposals set out in Part II of this Stockholder Circular.

This document is issued by way of a notification only and is not to be read as a recommendation to 2019 CULS Holders to exercise their Special Conversion Right. You are not obliged to exercise your right to convert.

**As discussed in this document, if the Proposals become effective, you will have no further right to convert your 2019 CULS. If you do nothing and the Proposals become effective, your 2019 CULS will be rolled over under the Reinvestment Scheme into 2025 CULS.**

#### BASIS OF CONVERSION

The number of Ordinary Shares to be issued by the Company on the exercise of the Special Conversion Right shall be determined by dividing the nominal amount of the 2019 CULS to be converted by the 2019 CULS Conversion Price of £8.30. Fractions of Ordinary Shares will not be issued on exercise of the Special Conversion Rights, and no payment of cash or other adjustment will be made in lieu thereof.

#### CONSIDERATIONS FOR 2019 CULS HOLDERS

Whether or not 2019 CULS Holders decide to convert their 2019 CULS will depend, among other things, on their own individual circumstances including their tax positions. The following factor may be of relevance for 2019 CULS Holders considering whether to convert their 2019 CULS:

*Market value:* The market value of the Ordinary Shares into which the 2019 CULS would convert is currently above the market value of the 2019 CULS. By way of example, £100 nominal of 2019 CULS had a mid-market value of £120.7 as at 18 April 2018. £100 nominal of 2019 CULS would convert into 12 Ordinary Shares, which would have had a mid-market value of approximately £124.2 on the same date. This represents £3.5 more than the mid-market value of the 2019 CULS.

*Note:* The above analysis is based on the information set out in the Schedule to this Part III and does not take into account any tax which might be payable on 2019 CULS Holders’ capital returns.

#### 2019 CULS HELD IN CERTIFICATED FORM

Holders of 2019 CULS in certificated form should refer to the instructions on their 2019 CULS certificate(s). In order to exercise the Special Conversion Right where 2019 CULS are held in certificated form, the 2019 CULS Holder must lodge the relevant 2019 CULS certificate(s) at the office of the Company’s Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA during the period of 28 days ending at 11.00 a.m. on 18 May, having completed and signed the Conversion Notice. Once lodged, a notice of exercise of the Special Conversion Right shall be irrevocable, save with the consent of the Company.

## **2019 CULS HELD IN UNCERTIFICATED FORM**

CREST members should refer to the CREST Manual for information on the CREST procedures and authentication required to effect conversion. The Special Conversion Right where 2019 CULS are held in uncertificated form shall be exercisable if an uncertificated conversion notice is received during the period of 28 days ending at 11.00 a.m. on 18 May. The prescribed form of uncertificated conversion notice is a TRANSFER TO ESCROW (**TTE**) instruction which, on settlement, will have the effect of crediting a stock account of the Registrar in accordance with the details specified below. The TTE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain the following details in addition to any other information required:

- (a) the nominal amount of 2019 CULS in respect of which the Special Conversion Right is being exercised;
- (b) the participant ID of the 2019 CULS Holder;
- (c) the member account ID of the 2019 CULS Holder;
- (d) the Registrar's participant ID: this is: 6RA24;
- (e) the Registrar's member account ID: this is: RA279003
- (f) the corporate action number, which will be allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- (g) the corporate action ISIN: this is: GB00B7ZMLM88; and
- (h) the intended settlement date: this will be 11.00 a.m. on 18 May 2018.

The TTE instruction should be input to settle by no later than 11.00 a.m. on 18 May 2018 in order to receive Ordinary Shares arising from conversion within 14 days thereafter. Once lodged, an uncertificated conversion notice shall be irrevocable, save with the consent of the Company.

## **ISSUE OF ORDINARY SHARES**

Ordinary Shares arising on conversion will be sent in certificated form where 2019 CULS is held in certificated form, and uncertificated form where 2019 CULS is held in uncertificated form.

Ordinary Shares allotted pursuant to the exercise of the Special Conversion Right will be allotted, subject to Admission, on 29 May 2018 and with effect from the Conversion Date.

Certificates for Ordinary Shares will be despatched to holder(s) in accordance with their instructions during the week commencing 4 June 2018.

The Registrar will instruct Euroclear to credit the Participant ID and Member ID Account as specified in validly received uncertificated conversion notices with the number of Ordinary Shares arising on conversion, by no later than the date upon which dealings in the Ordinary Shares are due to commence, which will be 29 May 2018.

Interest on 2019 CULS converted will be payable up to (but excluding) 29 May 2018 and will cease to accrue thereafter.

## **Enquiries**

If you have any queries regarding the above procedures, these should be referred to the Company's Registrar, Equiniti Limited, on tel: 0371 384 2050 (from within the UK). This helpline is available between 8.30am and 5.30pm (UK time) Monday to Friday (except public holidays in England and Wales) or +44 (0)121 415 0259 (from outside the UK). Calls from outside the UK will be charged at international rates. Please note that calls may be randomly monitored or recorded for security and training purposes.

**Schedule 1:**

Market Prices of 2019 CULS and Ordinary Shares (derived from Bloomberg) and NAV of the Ordinary Shares:

	<i>Ordinary Share Price</i>	<i>CULS Price</i>	<i>NAV (diluted including income)</i>
<i>2017/2018</i>	<i>(p)</i>	<i>(p)</i>	<i>(p)</i>
18 April 2018	1035	120.7	1182.80
3 April 2018	1022.5	122	1186.11
1 March 2018	1037.5	124.5	1209.93
1 February 2018	1027.5	125.75	1182.36
2 January 2018	1055	124.5	1185.80
1 December 2017	1031.5	126.5	1179.95
1 November 2017	1071	124.5	1224.07

## PART IV

### RISK FACTORS

**The Company believes that the following factors may affect its ability to fulfil its obligations under the 2025 CULS. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.**

**Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Company and the impact each risk could have on the Company or the Group is set out below.**

**Factors which the Company believes may be material for the purpose of assessing the market risks associated with the Company are also described below.**

**The Company believes that the factors described below represent the principal risks inherent in investing in the 2025 CULS, but the Company may be unable to pay interest, principal or other amounts on or in connection with the 2025 CULS for other reasons, and the Company does not represent that the statements below regarding the risks of holding the 2025 CULS are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.**

#### **RISKS RELATING TO THE ISSUE**

Securities issued by the Company are designed to be held over the long-term and may not be suitable as short-term investments. There can be no guarantee that any appreciation in the value of the Company's investments will occur and the value of securities issued by the Company may go down as well as up. Accordingly, investors may not get back the full value of their original investment in any such securities.

The past performance of the Company is not, and should not be relied upon as, a guide to the future performance of the Company and there can be no guarantee that the Company will achieve its investment objective.

There can be no guarantee that a liquid market will exist in securities issued by the Company and it may be difficult to realise an investment in such securities at their quoted market price.

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

#### **2025 CULS**

The market price of the 2025 CULS will be influenced by a number of factors, including the supply of, and demand for, 2025 CULS, the price, NAV and dividend yield of the Ordinary Shares, prevailing interest rates, market conditions and investor sentiment, either general or specific to the Company and there can be no guarantee that the market price of the 2025 CULS will fully reflect any value inherent in their convertibility into Ordinary Shares. Accordingly, the value of an investment in the 2025 CULS may go down as well as up and 2025 CULS Holders may not be able to realise the amount of their original investment.

If, at any time after 31 May 2021, the middle market price of the Ordinary Shares is 20 per cent. or more above the Conversion Price for at least 20 dealing days during a period of 30 consecutive dealing days, the Company will be able to require 2025 CULS Holders to redeem their 2025 CULS at par. In such event, 2025 CULS Holders would be given a final opportunity to convert their 2025 CULS into Ordinary Shares. Following conversion of 80 per cent. or more of the 2025 CULS originally issued, the Company will be entitled to require remaining 2025 CULS Holders to convert their outstanding 2025 CULS into Ordinary Shares after they have been given an opportunity to have their 2025 CULS redeemed. If at any time after 31 May 2021 the nominal value of the outstanding 2025 CULS represents 30 per cent. or more of the Company's net assets, the Company shall be entitled to redeem all outstanding 2025 CULS at its nominal amount together with accrued interest up to (but excluding) the date of redemption. If any of these situations were to occur,

2025 CULS Holders would not be able to hold their 2025 CULS until the final maturity date of the 2025 CULS of 31 May 2025 and to have their 2025 CULS redeemed for cash on that date.

The 2025 CULS Trust Deed will not contain any restriction on borrowings (including borrowings ranking ahead of the 2025 CULS), the disposal of assets or the creation of charges by, or changes in, the nature of the business of the Company. Any material increase in the Company's borrowings, material disposal of assets or creation of charges by, or material changes in, the nature of the Company's business could adversely affect the rights of the 2025 CULS Holders and the value of the 2025 CULS and/or the Ordinary Shares.

On a winding-up of the Company, the nominal amount of the 2025 CULS will rank ahead of the Ordinary Shares but will be subordinated to the Company's other borrowings and creditors. Therefore, the rights and remedies available to the Trustee and 2025 CULS Holders may be limited by applicable winding-up, insolvency, re-organisation, moratorium or similar provisions relating to or affecting creditors' rights generally.

## **ORDINARY SHARES**

The Company will only pay dividends on the Ordinary Shares to the extent that it has profits available for that purpose, which will largely depend on the amount of income that the Company receives on its investments and the timing of such receipt. Accordingly, the amount of dividends payable by the Company may fluctuate.

The market price and the realisable value of the Ordinary Shares as well as being affected by their underlying net asset value, also take into account supply and demand, market conditions and general investor sentiment. As such, the market value and the realisable value of the Ordinary Shares may fluctuate and vary considerably from the NAV per Ordinary Share and may fall when the underlying NAV per Ordinary Share is rising, or vice versa. Accordingly, the value of an investment in the Ordinary Shares may go down as well as up and Shareholders may not be able to realise the amount of their original investment.

The Company does not have a fixed winding-up date and Shareholders have no right to have their Ordinary Shares repurchased by the Company. Accordingly, unless Shareholders vote to wind up the Company, Shareholders wishing to realise their investment in the Company will be required to dispose of their Ordinary Shares through the market and they may be unable to realise their Ordinary Shares at their quoted market price.

Shareholders, including those who apply for up to their full entitlements under the Open Offer, will suffer a reduction in their proportionate ownership and voting interest in the share capital of the Company as represented by their holding of Ordinary Shares upon any conversion of the 2025 CULS.

In the event of a winding-up of the Company, the Ordinary Shares will rank behind any creditors or prior ranking capital of the Company, including the 2025 CULS.

## **THE COMPANY'S INVESTMENTS**

Investment in far east equities or those of companies that derive significant revenue or profit from the far east involves a greater degree of risk than that usually associated with investment in the securities in major securities markets. The securities that the Company owns may be considered speculative because of this higher degree of risk.

The Company may not achieve its investment objective. Meeting that objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it can or will be met.

The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities and there can be no assurance that appreciation in the value of those investments will occur. Investment in emerging securities markets in the Asia Pacific region involves a greater degree of risk than that usually associated with investment in more developed securities markets including the risk of social, economic and political instability which may have an adverse effect on economic reforms or restrict investment opportunities.



There are many factors, including changes in economic or industry conditions (including, for example, interest rates, recession, inflation, deflation, foreign exchange rates, demand for or production of commodities and competition), changes in environmental, tax or other laws or regulations, natural disasters, social or political instability, events or trends, acts of terrorism or war and general investor sentiment which could have a material adverse effect on the value of the Company's investments or materially restrict the investment opportunities available to the Company and, therefore, could substantially and adversely affect the Company's performance and prospects.

The Company may invest in smaller capitalisation companies. As smaller companies do not have the financial strength, diversity and resources of larger companies, they may find it more difficult to operate in periods of economic slowdown or recession. In addition, the relatively small capitalisation of such companies could make the market in their shares less liquid and, as a consequence, their share price more volatile than investments in larger companies.

The Company may invest in securities that are not readily tradeable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of the Ordinary Shares. Accordingly, the Company will not necessarily be able to realise, within a short period of time period, an illiquid investment and any such realisation that may be achieved may be at considerably lower prices than the Company's valuation of that investment for the purpose of calculating the NAV per Ordinary Share.

The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on affected investments. Any reduction in the income received by the Company may lead to a reduction in the dividends paid on the Ordinary Shares.

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

As there has not always been a meaningful smaller companies index against which to compare performance, the Company uses two general regional indices the MSCI AC Asian Pacific ex-Japan Index and the MSCI AC Asia Pacific ex-Japan Small Cap Index (currency adjusted). As the Company's portfolio of assets reflects the Manager's convictions, the Manager does not seek to replicate these indices constructing the portfolio. The portfolio may, therefore, diverge substantially from the constituents of these indices.

## **GEARING**

The 2025 CULS provide gearing for the Company. All gearing used by the Company must be in accordance with its investment policy. Whilst the use of gearing is intended to enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the costs associated with the gearing, it should be expected to have the opposite effect where the underlying return is less than the cost of borrowing, further reducing the total return on the Ordinary Shares.

The use of borrowing including the issue of 2025 CULS and/or other debt or borrowing by the Company may increase the volatility of the NAV and market price of the Ordinary Shares and, as a result, the market price of the 2025 CULS. There is no guarantee that any borrowings of the Company will be refinanced on their maturity either on terms that are acceptable to the Company or at all.

## **FOREIGN EXCHANGE**

The Company will account for its activities, report its results and the NAV per Ordinary Share and declare and pay dividends in sterling while its investments will be made and realised in other currencies. It is not the Company's present intention to engage in currency hedging, although it reserves the right to do so. Accordingly, the movement of exchange rates between sterling and the other currencies in which the Company's investments are denominated or its borrowings are drawn down may have a material effect, favourable or unfavourable, on the returns otherwise experienced on the investments made by the Company.

## **TAXATION**

The Company seeks to conduct its business so as to satisfy the conditions for approval as an investment trust under Chapter 4 of Part II4 of the CTA 2010. Breach of the tests that the Company must meet to obtain approval as an investment trust could lead to the Company being subject to tax on capital gains and, if that were to occur, would reduce the returns to Shareholders.

Any change in the Company's tax status, tax treaty rates, tax laws (or their interpretation) or in the tax treatment of interest, dividends or other investment income received by the Company could affect the value of the investments held by the Company, affect the Company's ability to provide returns to its Shareholders or alter the post-tax returns to its Shareholders.

The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on its investments and the capital value of the affected investments.

Statements in this Prospectus concerning taxation are based on current UK tax laws and what is understood to be current UK practice, both of which are subject to change, possibly with retrospective effect. Accordingly, the levels of, and reliefs from, taxation referred to in this Prospectus may change. The taxation of an investment in the Company will depend on the individual circumstances of the investor. The information in this Prospectus relating to taxation law and practice is given by way of general summary and does not constitute legal or tax advice to investors.

## **ACCOUNTING PRACTICES AND POLICIES**

Any change in financial reporting standards or accounting practices applicable to the Company could affect the reported value of investments held by the Company or the level of profits available for the payment of dividends and, accordingly, could reduce the returns to Shareholders.

The interest expense on the 2025 CULS is calculated according to the effective interest rate method by assuming the coupon rate of an equivalent non-convertible obligation of the Company. The interest expenses on the 2025 CULS will be charged to the revenue account in accordance with the Company's existing policy of charging all expenses to the revenue account. This could reduce the level of profit available for the payment of dividend and could reduce the returns to the holders of Ordinary Shares.

## **THE INVESTMENT MANAGER**

The success of the Company and the achievement of its investment objective are largely dependent on the Investment Manager's expertise in acquiring, managing and disposing of assets in accordance with the Company's investment policy. There can be no guarantee that any individual referred to in this Prospectus will remain with the Investment Manager and the personnel employed by the Investment Manager may change from time to time. The departure of a key fund manager may have an adverse effect on the performance of the Company.

Although the Investment Manager has been successful in identifying suitable investments for the Company in the past, it may not be able to do so in the future. Any failure to find a sufficient number of attractive investment opportunities for the Company could have a material adverse effect on the Company's performance and prospects.

Before making investments, the Investment Manager conducts such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. There can be no assurance that due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating that investment opportunity.

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

The Investment Manager may act as investment manager or investment advisor to other clients (including investment companies) who may invest in securities in which the Company may invest, and, in providing such services, may use information obtained by the Investment Manager in managing the Company's investments. In the event of a conflict of interest arising, the Investment Manager will take reasonable steps to ensure that it is resolved fairly in accordance with its conflict of interest policy. Neither the Investment Manager nor any of its associates will be liable to account to the Company for any profit, commission or remuneration earned as a result of such conflict.

## **LEGAL AND REGULATORY**

The Company and the Investment Manager are both subject to laws and regulations enacted by national, regional and local governments and institutions. In particular, the Company will be required to comply with certain statutory requirements under English law applicable to a company incorporated in England and Wales, the Listing Rules and the Disclosure and Transparency Rules. In particular, the Company is subject to the continuing obligations imposed by the UKLA on all investment companies whose shares are listed on the premium section of the Official List. Compliance with and the monitoring of applicable regulations may be difficult, time consuming and costly. Any changes to such regulation could affect the market value of the Portfolio and/or the rental income desired therefrom. In such event, the investment returns of the Company may be materially adversely affected.

The EU Directive on Alternative Investment Fund Managers ("**AIFMD**"), came into force on 22 July 2013 and regulates alternative investment fund managers and prohibits such alternative investment fund managers from managing any alternative investment fund ("**AIF**") or marketing shares in such AIFs to investors in the EU unless, in respect of alternative investment fund managers based in the EU, authorisation under the AIFMD is granted to the alternative investment fund manager. The alternative investment fund manager of the Company will need to comply with various obligations in relation to itself and the Company. In the event that any future regulatory changes arise from the implementation of the AIFMD that impair the ability of the alternative investment fund manager to manage the investments of the Company, or limit the ability of the Company to market future issues of its Ordinary Shares, the ability of the Company to carry out its investment policy and strategy and achieve its investment objective could be adversely affected.

For regulatory, tax and other purposes, the Company and the Ordinary Shares may potentially be treated in different ways in different jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Ordinary Shares may be treated as akin to holding units in a collective investment scheme, which may have an adverse effect on the taxation of Shareholders in such jurisdictions. Furthermore, in certain jurisdictions, the treatment of the Company and/or the Ordinary Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or disclosure by the Company of that information. While it will continue to comply with all regulatory requirements placed upon it, the Company may be constrained from disclosing, or may find it unduly onerous to disclose, any or all of such information or to prepare or disclose such information in a form or manner which satisfies the regulatory, tax or other authorities in certain overseas jurisdictions. Failure to disclose or make available information in the prescribed manner or format, or at all, may adversely impact the Company in those jurisdictions, and therefore the price of the Ordinary Shares.

On 23 June 2016, the United Kingdom held a referendum on the United Kingdom's continued membership of the European Union. This resulted in a vote for the United Kingdom to leave the European Union ("**Brexit**"). There are significant uncertainties in relation to the terms and time within which such an exit will be effected, and there are significant uncertainties as to what the impact will be on the fiscal, monetary, legal and regulatory landscape in the UK. The extent impact on the Company will depend in large part on the nature of the arrangements that are in place between the United Kingdom and the European Union following Brexit. Although impossible to predict fully the effects of the exit of the United Kingdom from the European Union, of these risks, taken singularly or in the aggregate, any could have a material adverse effect on the Company and its opportunities for investments. In addition, it could potentially make it more difficult for the Company to raise capital.

## **PACKAGED RETAIL AND INSURANCE-BASED INVESTMENT PRODUCTS ("**PRIIPS**")**

Investors should be aware that the PRIIPs Regulation requires the AIFM, as PRIIP manufacturer, to prepare a key information document ("**KID**") in respect of the 2025 CULS issued by the Company. This KID must be

made available by the Investment Manager to retail investors prior to them making any investment decision and will be available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

### **COMPLEX FINANCIAL INSTRUMENTS**

MiFID II has narrowed the categories of product that can be considered "non-complex", and therefore broadened the number of products that are subject to an appropriateness assessment under the legislation as a "complex" product. In order to be considered non-complex, a product should not incorporate a clause, condition or trigger that could fundamentally alter the nature or risk of the investment or pay out profile, such as investments that incorporate a right to convert the instrument into a different investment. Convertible unsecured loan stock may therefore be classed as a complex financial instrument for MiFID II purposes. The corresponding appropriateness assessment may complicate the issue of financial instruments (including convertible unsecured loan stock), in dealings with investment platforms, for example. There remains uncertainty over whether particular products will be considered complex or non-complex for MiFID II purposes. The categorisation of investment products may therefore be subject to change.

### **RISKS RELATING TO THIRD PARTY SERVICE PROVIDERS**

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for certain of its executive functions. In particular, the Investment Manager, the AIFM, the Administrator, the Company Secretary, the Depository and the Registrar and their respective delegates will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.

The termination of the Company's relationship with any third-party service provider or any delay in appointing a replacement for such service provider, could disrupt the business of the Company materially and could have a material adverse effect on the Company's performance and returns to Shareholders.

Further, misconduct or misrepresentations by employees of the AIFM, the Investment Manager or other third-party service providers could cause significant loss to the Company.

The past performance of other investments managed or advised by the AIFM or the AIFM's investment professionals or the Investment Manager or Investment Manager's investment professionals cannot be relied upon as an indicator of the future performance of the Company. Investor returns will be dependent upon the Company successfully pursuing its investment objective and investment policy. The success of the Company will depend, *inter alia*, on the Investment Manager's ability to identify, acquire and develop, assets in accordance with the Company's investment objective and investment policy. This, in turn, will depend on the ability of the Board and the Investment Manager to apply its investment analysis processes in a way which is capable of identifying suitable assets for the Company to invest in. There can be no assurance that the Board or the Investment Manager will be able to do so or that the Company will be able to generate any investment returns for Shareholders or indeed avoid investment losses.

## PART V

### DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>“2019 CULS”</b>	3.5 per cent. convertible unsecured loan stock 2019 of the Company;
<b>“2019 CULS Conversion Price”</b>	£8.30;
<b>“2019 CULS Holder”</b>	a holder of 2019 CULS;
<b>“2025 CULS Holder”</b>	a holder of 2025 CULS;
<b>“2025 CULS”</b>	2.25 per cent. convertible unsecured loan stock 2025 of the Company, with the rights described in Part II of the Prospectus to be issued conditional upon the Shareholder Resolution. The conditions set forth in paragraph 5 of Part II of this document;
<b>“2025 CULS Conversion Price”</b>	the nominal amount of 2025 CULS required to convert into one Ordinary Share to be set at a 20 per cent. premium to the unaudited NAV (including income) per Ordinary Share on the Calculation Date rounded down to the nearest 5 pence;
<b>“2019 Trust Deed”</b>	the trust deed between the Company and the Trustee constituting the 2019 CULS dated 17 May 2012;
<b>“2025 Trust Deed”</b>	the trust deed proposed to be entered into between the Company and the Trustee constituting the 2025 CULS, the principal terms of which are summarised in Part IV of the Prospectus;
<b>“Admission”</b>	admission of the 2025 CULS issued pursuant to the Issue to the standard debt segment of the Official List and to trading on the London Stock Exchange’s Main Market becoming effective in accordance with the Listing Rules and the LSE Admission Standards respectively;
<b>“AIFM”</b>	Aberdeen Fund Managers Limited;
<b>“Articles”</b>	the articles of association of the Company (as amended from time to time);
<b>“Board”</b>	the board of directors of the Company (or any duly authorised committee thereof) from time to time;
<b>“business day”</b>	any day other than a Saturday, Sunday or public holiday in the United Kingdom;
<b>“Calculation Date”</b>	close of business on 18 May 2018, being the time and date as at which the Reinvestment Price and the 2025 CULS Conversion Price are calculated;
<b>“certificated form”</b>	evidenced by a share certificate (i.e. not in uncertificated form);
<b>“Companies Act 2006”</b>	the Companies Act 2006;
<b>“Company”</b>	Aberdeen Asian Smaller Companies Investment Trust PLC;

<b>“Conversion Notice”</b>	the Conversion Notice enclosed with this document for use in connection with the exercising of the Special Conversion Right by 2019 CULS Holders;
<b>“CREST”</b>	the paperless settlement system operated by Euroclear governed by the CREST Regulations and any successor system or operator for the purposes of the CREST Regulations;
<b>“CTA 2010”</b>	the Corporation Tax Act 2010;
<b>“Directors”</b>	the directors of the Company from time to time;
<b>“Disclosure and Transparency Rules”</b>	the disclosure and transparency rules made by the FCA pursuant to section 73A of FSMA;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>“Excluded Jurisdictions”</b>	the United States, Canada, Australia, Japan, New Zealand and the Republic of South Africa;
<b>“Extraordinary Resolution”</b>	the Extraordinary Resolution to be put to Stockholders at the Stockholder Meeting;
<b>“FCA”</b>	the Financial Conduct Authority;
<b>“Form of Proxy”</b>	the form of proxy which accompanies this Stockholder Circular for use by 2019 CULS Holders in connection with the Stockholder Meeting;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000;
<b>“General Meeting”</b>	the meeting of Shareholders to be held at 9.00 a.m. on 23 May 2018;
<b>“HMRC”</b>	HM Revenue & Customs;
<b>“Investment Manager” or “AAM Asia”</b>	Aberdeen Asset Management Asia Limited;
<b>“Issue”</b>	the Reinvestment Scheme and the Placing and Open Offer;
<b>“Listing Rules”</b>	the listing rules made by the FCA pursuant to section 73A of FSMA;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“LSE Admission Standards”</b>	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the Main Market;
<b>“Main Market” or “London Stock Exchange’s Main Market”</b>	the London Stock Exchange’s market for larger and established companies, being a regulated market for the purposes of MiFID II;
<b>“Member Account ID”</b>	the identification code or number used in CREST to identify a particular CREST member or other CREST participant;
<b>“MIFID II”</b>	the Markets in Financial Instruments Directive 2014/65/EU and the Markets in Financial Instruments Regulations 600/2016/EU;
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2007;

<b>“Net Asset Value” or “NAV”</b>	the net asset value of the Company as calculated by the Company in accordance with the Company’s normal accounting policies (with the net asset value per Ordinary Share being calculated by dividing the net asset value of the Company by the number of Ordinary Shares in issue on the relevant date);
<b>“Official List”</b>	the list maintained by the UK Listing Authority pursuant to Part VI of FSMA;
<b>“Open Offer”</b>	the open offer, conditional on the passing of the Shareholder Resolution and the Extraordinary Resolution, to Qualifying Shareholders for subscription of 2025 CULS on and subject to the terms and conditions set out in the Prospectus (and, where applicable, the Application Form);
<b>“Ordinary Shares”</b>	Ordinary Shares of 25p each in the capital of the Company;
<b>“Overseas Stockholder”</b>	means 2019 CULS Holders who are resident in, ordinarily resident in, or citizens of jurisdictions outside the United Kingdom;
<b>“Panmure Gordon”</b>	Panmure Gordon (UK) Limited;
<b>“Placing”</b>	the conditional placing, conditional on, <i>inter alia</i> , the passing of the Shareholder Resolution and the Extraordinary Resolution, 2025 CULS by Panmure Gordon on behalf of the Company pursuant to the Placing Agreement;
<b>“Proposals”</b>	the proposals described in this document, comprising the Reinvestment Scheme and the Special Conversion Right;
<b>“Prospectus”</b>	the prospectus dispatched to shareholders on or around the date of this document and convening the General Meeting;
<b>“Prospectus Rules”</b>	the prospectus rules made by the FCA pursuant to section 73A of FSMA;
<b>“Qualifying Shareholders”</b>	holders of Ordinary Shares (other than Excluded Shareholders) on the Register at the Record Date;
<b>“Registrar” or “Equiniti”</b>	Equiniti Limited;
<b>“Record Date for the Reinvestment Scheme”</b>	6.00 p.m. on 18 May 2018;
<b>“Register”</b>	the register of members of the Company;
<b>“Reinvestment Scheme”</b>	the sale by certain 2019 CULS Stockholders of 2019 CULS to Panmure Gordon and the subsequent reinvestment of the proceeds for 2025 CULS conditional, <i>inter alia</i> , on the passing of the Extraordinary Resolution and the Shareholder Resolution;
<b>“Repurchase Agreement”</b>	means the repurchase agreement between the Company and Panmure Gordon dated 20 April 2018 as further described in paragraph 9 of Part II;
<b>“RIS”</b>	a regulatory information service that is on the list of regulatory information services maintained by the FCA;
<b>“Shareholders”</b>	holders of Ordinary Shares;

<b>“Shareholder Resolution”</b>	the special resolution to be proposed at the General Meeting in connection with, <i>inter alia</i> , the Issue;
<b>“Special Conversion Right”</b>	the right, conditional upon the passing of the Extraordinary Resolution and the Shareholder Resolution, offered to 2019 CULS Stockholders not wishing to sell their 2019 CULS pursuant to the Reinvestment Scheme allowing such 2019 CULS Stockholders to convert their 2019 CULS into Ordinary Shares;
<b>“Sterling”</b>	the lawful currency of the United Kingdom;
<b>“Stockholder Circular”</b>	this document;
<b>“Stockholder Meeting”</b>	the meeting of the Stockholders to be held at 9.05 a.m. on 23 May 2018;
<b>“Trustee”</b>	the trustee from time to time of the 2019 CULS and the 2025 CULS, which on the issue of the 2025 CULS will be The Law Debenture Trust Corporation p.l.c.;
<b>“UKLA”</b>	the FCA acting in its capacity as competent authority for the purposes of Part VI of FSMA;
<b>“uncertificated form”</b>	recorded in the Register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;



## PART VI

### NOTICE OF STOCKHOLDER MEETING

## ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC

*(Incorporated in England and Wales with registered number 03106339)  
(an investment company under section 833 of the Companies Act 2006)  
(the "Company")*

### NOTICE OF MEETING OF THE HOLDERS OF THE 3.5 PER CENT. CONVERTIBLE UNSECURED LOAN STOCK 2019 OF THE COMPANY PRESENTLY OUTSTANDING (the "Stockholders" and the "CULS" respectively)

NOTICE IS HEREBY GIVEN, that a meeting of the Stockholders (the "**Meeting**") convened by the Company will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on 23 May 2018 at 9.05 a.m. (London time) for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the trust deed dated 17 May 2012 ("**2019 Trust Deed**"), as described in the circular dated 20 April 2018 sent to the Stockholder by the Company of which this notice forms part ("**Circular**"), constituting the CULS and made between the Company and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**") as trustee for the Stockholders:

### EXTRAORDINARY RESOLUTION

"**THAT** this Meeting of the holders of 3.5 per cent. Convertible Unsecured Loan Stock 2019 of Aberdeen Asian Smaller Companies Investment Trust PLC presently outstanding (the "**Stock**" and the "**Company**" respectively) constituted by the trust deed dated 17 May 2012 (the "**Trust Deed**") made between the Company and the Law Debenture Trust Corporation p.l.c (the "**Trustee**") for the holders of the Stock (the "**Stockholders**") hereby:

1. sanctions the Reinvestment Scheme as described and defined in the Circular to Stockholders dated 20 April 2018 from the Company (the "**Stockholder Circular**") and its implementation on and subject to the conditions set out therein, and in particular the proposed sale by the Stockholders of up to of 37 million nominal of CULS to Panmure Gordon UK Limited (the "Sale") and the subsequent application of the proceeds of the Sale to subscribe for up to £37 million nominal 2.25 per cent. Convertible Unsecured Loan Stock 2025 ("**2025 CULS**") on behalf of the Stockholders;
2. sanctions the grant of the Special Conversion Right as described and defined in the Stockholder Circular and its implementation, operation and exercise on and subject to the conditions set out therein;
3. approves the Proposals as described and defined in the Stockholder Circular and their implementation on and subject to the conditions set out therein;
4. authorises, directs, requests and empowers the Trustee to concur in implementing the Proposals, in order to give effect thereto and to implement the same, forthwith to execute the trust deed to constitute the 2025 CULS in the form of the draft produced at this Meeting with such amendments (if any) thereto as the Trustee may in its absolute discretion think fit and to concur in and execute and do all such other deeds, instruments, acts and timings as may be necessary or appropriate to carry out and give effect to this Resolution and the implementation of this Resolution and the Proposals;
5. sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Stockholders appertaining to the Stock against the Company, whether or not such rights arise under the Trust Deed, involved in or resulting from or to be effected by this Resolution or the Proposals and their implementation;
6. discharges and exonerates the Trustee from all liability for which it may have become or may become responsible under the Trust Deed or the Stock in respect of any act or omission in connection with the Proposals, the Reinvestment Scheme, the Special Conversion Right and their implementation or this Extraordinary Resolution; and
7. declares that this Extraordinary Resolution shall be in all respects conditional on the special resolution to be put to the Shareholders of the Company at a general meeting of the Company held at 9.00 a.m.

on 23 May 2018 being passed at such meeting and that if such special resolution is not passed at such meeting, this Extraordinary Resolution shall be of no effect.

*By order of the Board*

Aberdeen Asset Management PLC  
Company Secretary

*Registered Office*

Bow Bells House  
1 Bread Street  
London EC4M 9HH

Dated 20 April 2018

*Notes:*

1. Information about this meeting is available from the Company's website: [www.asian-smaller.co.uk/itasiansmaller](http://www.asian-smaller.co.uk/itasiansmaller).
2. A Stockholder entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a Stockholder of the Company.
3. A white Form of Proxy for use at the meeting is enclosed with this document. To be valid, the White Form of Proxy appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the registered office of the Company or such other place as the Trustee shall approve not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or for the taking of the poll at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date named in it as the date of its execution.
4. The White Form of Proxy must be (in the case of an individual) signed by the individual or his attorney duly authorised in writing or (in the case of a corporation) either executed under its common seal or signed on its behalf by a duly authorised officer or attorney of the corporation.
5. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders; for this purpose, seniority shall be determined by the order in which the names stand in the register of Stockholders in respect of the joint holding.
6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual which can be viewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). The message must be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. The provisions governing the convening and holding of a meeting are set out in the Third Schedule to the Trust Deed a copy of which is available for inspection by the Stockholders during normal business hours at the Registered Office of the Company. The quorum for passing an Extraordinary Resolution shall be one or more persons being Stockholders present in person or by proxy or (in the case of a Stockholder which is a corporation) by its duly authorised representative and holding or representing in the aggregate a clear majority in nominal amount of the Stock for the time being outstanding. No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. If within 15 minutes (or such longer period not exceeding 30 minutes as the chairman may decide) from the time appointed for holding the meeting a quorum is not present the meeting, if convened upon the requisition of Stockholders, shall be dissolved. In any other case, it shall stand adjourned to such day and time being not more than 42 days thereafter and to such place as may be appointed by the chairman and at such adjourned meeting one or more persons being Stockholders present in person or by proxy or (in the case of a Stockholder which is a corporation) by its duly authorised representative whatever the nominal amount of the Stock for the time being outstanding held or represented by them shall form a quorum for the transaction of business, including the passing of Extraordinary Resolution. At least seven days' notice (exclusive as aforesaid) of any adjourned meeting of Stockholders at which an Extraordinary Resolution is to be proposed shall be given in the same manner as for an original meeting and such notice shall state that one or more persons being Stockholders present in person or by proxy or (in the case of a Stockholder which is a corporation) by its duly authorised representative at the adjourned meeting whatever the nominal amount of the Stock for the time being outstanding held or represented by them will form a quorum. In order to be passed, the Extraordinary Resolution requires at least three-quarters of the votes cast to be in favour of it.

