



The Scottish Oriental
Smaller Companies Trust plc

2020

The **Scottish Oriental** Smaller Companies Trust plc

Interim Report
and Accounts
29 February 2020

Contents	Page
Comparative Indices	IFC*
Corporate Objective	1
Financial Highlights	1
Interim Management Report	2
List of Quoted Equity Investments	5
Ten Largest Equity Holdings	7
Sector Allocation	7
Income Statement	8
Statement of Financial Position	9
Cash Flow Statement	10
Statement of Changes in Equity	11
Changes in Equity Investments	12
Notes to Accounts	13
Principal Risks and Uncertainties	15
Going Concern	15
Directors' Responsibility Statement	15
Information for Investors	16
Company Information	IBC**

* Inside front cover
** Inside back cover

Comparative Indices

Since 2003 the Directors have used the Morgan Stanley Capital International AC Asia ex Japan Index to measure the Company's performance, which covers the relevant markets with the exception of Bangladesh, Sri Lanka and Vietnam. This Index, being dominated by larger companies, is far from ideal as a performance measurement tool. It has, however, the dual merit of being the most widely recognised regional index and of pre-dating the inception of the Company in March 1995.

For comparison purposes, we are also displaying the Morgan Stanley Capital International AC Asia ex Japan Small Cap Index. This Index is made up of companies with a free float-adjusted market capitalisation of between US\$5m and US\$3,377m. The range does not exactly match that of the Company, which has no lower limit and which invests mainly in companies with a market capitalisation of under US\$3,000m at the time of first investment. Nevertheless, it gives a useful indication of the performance of smaller companies in Asia over recent years.

As most investors in the Company are based in the United Kingdom, the Directors consider that it is also relevant to compare the Company's performance to that of the FTSE All-Share Index.

Corporate Objective

The investment objective of The Scottish Oriental Smaller Companies Trust plc (“Scottish Oriental”, “the Company” or “the Trust”) is to achieve long-term capital growth by investing in mainly smaller Asian quoted companies with market capitalisations of below US\$3,000m, or the equivalent thereof, at the time of investment. For investment purposes, this includes the Indian sub-continent but excludes Japan and Australasia.

This is an abridged version of Scottish Oriental’s investment policy and objective. A full statement of Scottish Oriental’s investment policy can be found on page 22 of the Annual Report and Accounts* for the year ending 31 August 2019 (“the Annual Report and Accounts”).

* The Company’s Annual Report and Accounts for the year ending 31 August 2019 can be found on the Company’s website at www.scottishoriental.com

Financial Highlights

Total Return Performance (Unaudited) for the six months to 29 February 2020

Net Asset Value	(6.9)%	MSCI AC Asia ex Japan Index (£)	0.6%
Share Price	(13.0)%	MSCI AC Asia ex Japan Small Cap Index (£)	(4.3)%
		FTSE All-Share Index (£)	(5.5)%

Summary Data (Unaudited) at 29 February 2020

Shares in issue	29,873,784	Shareholders’ Funds	£315.29m
Net Asset Value per share	1,055.40p	Market Capitalisation	£259.30m
Share Price	868.00p	Share Price Discount to Net Asset Value	17.8%

Interim Management Report

Since the end of February, global markets have been extremely volatile owing to the outbreak of Covid-19. You will see from the 'Outlook' section below that we have started to invest Scottish Oriental's cash as opportunities appear.

Investment Performance

Over the six months ending 29 February 2020, Scottish Oriental's net asset value ("NAV") per share decreased by 6.9 per cent in total return terms, while the MSCI AC Asia ex Japan Index recorded a sterling adjusted increase of 0.6 per cent and the MSCI AC Asia ex Japan Small Cap Index a decrease of 4.3 per cent on the same basis. The Company's share price fell by 13.0 per cent in total return terms over the period. The Company's NAV underperformed the FTSE All-Share Index, which fell by 5.5 per cent in total return terms over the six month period.

The biggest detractor from investment performance was Scottish Oriental's large exposure to Indonesian and Philippine companies. The Company's comparatively low weightings in China and Taiwan also impacted relative performance.

The Company's shares traded at a discount ranging from 7.6 per cent to 17.8 per cent, reflecting the volatility in Asian markets and continued investor caution, and stood at a discount to NAV of 17.8 per cent on 29 February 2020.

The Company's cash level was £21.4 million at the end of the period, representing 6.8 per cent of net assets.

Dividend

A dividend of 11.5p per share was paid on 17 January 2020 for the year ending 31 August 2019 (31 August 2018: 11.5p per share). It is too early to make a forecast of the distribution for the current financial year.

Annual General Meeting ("AGM") Update

At the Company's most recent AGM a significant number of votes were cast against the re-election of James Ferguson and Alexandra Mackesy. The Board has sought the views of the shareholders who cast the votes against and understand that the reason behind the votes against both James Ferguson and Alexandra Mackesy was their length of tenure.

Many institutional shareholders follow proxy voting recommendations issued by external agencies which take a view that tenure of over 9 years deems a director non-independent. The Board's view is that directors must demonstrate independence from the Investment Manager in mind, character and judgement, and that longer periods of service from non-executive directors is in the best interests of shareholders. As reported in the 2019 Annual Report and Accounts, the Board has been mindful of the need for a carefully considered succession plan and has been working to refresh the Board while maintaining depth of experience. The Board understands that a more comprehensive disclosure of the succession plan would have been helpful for shareholders, though it has, since the AGM, implemented the Board changes below. The Company's policy on Chair tenure will be published in the 2020 Annual Report and Accounts.

Board Changes

Alexandra Mackesy retired from the Board on 2 April 2020. The Board thanks her for the valuable contribution she has made to the Company over the last 16 years and she leaves with our best wishes.

Michelle Paisley will be appointed as a non-executive director with effect from 6 April 2020. She is a partner at global boutique advisory firm CC Strategic Partners focused on VC funds and early stage companies. Prior to that she was Managing Director at MVision, a global third-party advisor to Private Equity Funds. Michelle moved to Hong Kong in 2006 to head up Macquarie Securities' Kong Kong/China institutional equities business, leading a 50-strong team of traders, salespeople and analysts across Hong Kong and Shanghai. She was a fund manager during the dot com boom with Bankers Trust. Michelle started as an analyst at HSBC James Capel in London, before relocating to Australia with Citigroup in 1996.

Review

Asian stock markets rose over the six months ending 29 February 2020. Investor sentiment was positive for most of the period on improving US-China trade relations. However, the outbreak of Covid-19 impacted stock markets severely in 2020 as concerns grew about the likely social and economic impact of the disease.

Taiwan's stock market performed best of the major markets over the period, driven by strong performance from technology stocks. China's stock markets also produced positive returns over the period. Having risen in December on an improved US trade outlook, they initially weakened under the threat of Covid-19. However, the strong response from the authorities saw Chinese markets quickly rebound. By contrast, South East Asia's stock markets performed very poorly: Indonesia, Malaysia, the Philippines, Thailand and Vietnam all fell sharply. Despite being less affected by Covid-19, these economies are heavily dependent on Chinese demand. Thailand was the weakest of these markets, with its large tourism industry seeing a significant downturn.

Asian smaller companies underperformed their larger counterparts. Returns were considerably worse for smaller companies in Indonesia, South Korea and Taiwan.

Seven new positions were initiated. We bought **Indian Hotels**, following several changes in the management team which resulted in a renewed focus on improving returns on capital. India's liquidity crisis afforded us the opportunity to buy **Mahindra and Mahindra Financial Services** at a reasonable valuation while also highlighting the benefits for finance companies of being backed by large corporate houses like the Mahindra Group. We purchased chemicals company **BASF India** on market weakness and also, in India, **IIFL Wealth Management** for its leading position in the country's growing wealth management industry. **Ace Hardware Indonesia** has built a dominant position in home improvement stores and is benefiting from tougher tax compliance regulations which are hurting its unorganised competition. **Jollibee Foods** has a dominant position in the Philippine quick service restaurant sector but recent overseas acquisitions have not performed well, which created a buying opportunity. Finally, market weakness saw us buy **Zhejiang Weixing New Building Materials**, which earns superior returns supplying China's large pipe market.

Interim Management Report – Continued

Seven positions were sold, **ASM Pacific Technology**, **Silergy** and **Wistron NeWeb** after benefiting from a rally in the share prices of technology stocks; telecommunications provider **Dialog Axiata** following strong share price performance; fast moving consumer goods company, **Jyothy Laboratories** and transport company **Kwoon Chung Bus** on governance concerns with management taking a different path to that we had been hoping for; and image solution provider **Vieworks** was sold as competition showed no sign of abating.

As a result of this, Scottish Oriental's exposure to India, Indonesia and the Philippines rose, whereas exposure to South Korea, Sri Lanka and Taiwan fell. At a sector level, exposure to Consumer Discretionary, Consumer Staples, Financials and Materials rose, with Communication Services, Healthcare, Technology and Utilities falling. However, the changes made to the Company's portfolio were not significant overall as we are happy with its focus on companies which, we believe, have the potential to deliver multi-year growth and emerge as winners in their respective industries.

Outlook

The recent outbreak of Covid-19 and the speed of its spread is unprecedented. Its initial impact has been severe and it is difficult to comment on the ability of governments worldwide to contain the disease or mitigate its economic impact. However, the monetary policies of the last decade have given policymakers much less flexibility than would be desired for dealing with the current dramatic slowdown in the global economy. In terms of containment, few if any, countries have the same level of control over their citizens as China does. This results in a highly uncertain outlook.

Despite this uncertain outlook, we would wish to reiterate that our investment process and philosophy remains unchanged. We are long-term investors and prefer to invest in quality companies that we can hold on to for many years. We look for companies with highly competent and aligned management teams, a strong and defensible franchise, and a solid balance sheet and cash generative business model. Such businesses are inherently more capable of withstanding the most treacherous of conditions. We constantly worry about what might go wrong and expect the management teams of companies we invest in to do the same.

Therefore, we have recently been taking advantage of weak stock markets to deploy some of Scottish Oriental's cash balance into our favoured companies. Should markets fall further we will continue to do so and achieve our aim of the Company being fully invested. Although the short-term outlook is uncertain, the long-term prospects for Scottish Oriental's portfolio holdings remain strong.

List of Quoted Equity Investments

as at 29 February 2020

	% of Shareholders' Funds		% of Shareholders' Funds		% of Shareholders' Funds
BANGLADESH (1.8%)		INDIA (31.8%)		INDONESIA (13.8%)	
Financials (1.8%)		Consumer Discretionary (3.2%)		Consumer Discretionary (11.1%)	
Delta Brac	1.8	Indian Hotels	0.7	Ace Hardware Indonesia	1.1
CHINA (8.4%)		Mahindra CIE Automotive	1.6	Astra Otoparts	1.5
Communication Services (1.6%)		SP Apparels	0.2	Mitra Adiperkasa	2.9
51job	1.6	Suprajit Engineering	0.7	Sarimelati Kencana	2.2
Consumer Discretionary (1.5%)		Consumer Staples (4.2%)		Selamat Sempurna	3.4
JNBY Design	1.5	Colgate-Palmolive India	2.7	Consumer Staples (1.4%)	
Consumer Staples (1.8%)		Tata Global Beverages	1.5	Hero Supermarket	1.4
Uni-President China	1.8	Financials (2.6%)		Financials (1.3%)	
Healthcare (1.2%)		IIFL Wealth Management	0.7	Bank OCBC NISP	1.3
Tong Ren Tang	1.2	Mahindra & Mahindra		MALAYSIA (0.5%)	
Materials (0.8%)		Financial Services	1.9	Consumer Discretionary (0.5%)	
Zhejiang Weixin New		Healthcare (0.4%)		APM Automotive	0.5
Building Materials	0.8	Healthcare Global		PAKISTAN (1.5%)	
Utilities (1.5%)		Enterprises	0.4	Consumer Discretionary (1.5%)	
Towngas China	1.5	Industrials (7.7%)		Indus Motor Company	1.0
HONG KONG (7.4%)		Blue Star	3.3	Pak Suzuki Motor	0.5
Consumer Discretionary (2.9%)		Great Eastern Shipping	0.9		
Fairwood Holdings	1.8	SKF India	3.5		
Nexteer Automotive		Technology (3.3%)			
Group	1.1	Mphasis	2.6		
Consumer Staples (4.5%)		Zensar Technologies	0.7		
Nissin Foods	1.3	Materials (5.0%)			
Vitasoy International	3.2	BASF India	0.5		
		Godrej Industries	2.9		
		HeidelbergCement India	1.6		
		Real Estate (3.9%)			
		Mahindra Lifespace	1.9		
		Oberoi Realty	2.0		
		Utilities (1.5%)			
		Gujarat Gas	1.5		

List of Quoted Equity Investments – Continued

as at 29 February 2020

	% of Shareholders' Funds		% of Shareholders' Funds		% of Shareholders' Funds
PHILIPPINES (12.6%)		SRI LANKA (1.1%)		VIETNAM (2.3%)	
Consumer Discretionary (2.6%)		Financials (1.1%)		Industrials (1.2%)	
Jollibee Foods	0.5	Hatton National Bank	1.1	REE Corp	1.2
Max's Group	2.1	TAIWAN (7.1%)		Technology (1.1%)	
Consumer Staples (5.6%)		Consumer Discretionary (3.0%)		FPT	
Century Pacific Food	1.9	Nien Made Enterprise	1.6		1.1
Philippine Seven	3.7	Taiwan Familymart	1.4		
Financials (1.5%)		Industrials (2.4%)			
China Banking	1.5	Voltronic Power	2.4		
Industrials (2.9%)		Technology (1.7%)			
Concepcion Industrial	2.9	Sinbon Electronics	1.7		
SINGAPORE (5.5%)					
Consumer Staples (2.9%)					
Haw Par	2.9				
Healthcare (2.6%)					
Raffles Medical Group	2.6				

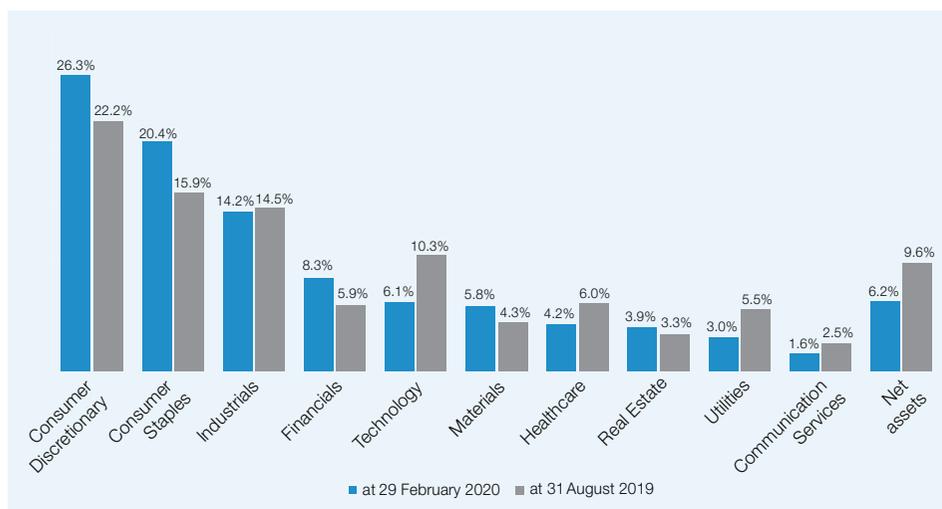
Ten Largest Equity Holdings

as at 29 February 2020

Company	Country	Sector	Market Valuation £'000	% of Shareholders' Funds
Philippine Seven	Philippines	Consumer Staples	11,641	3.7
SKF India	India	Industrials	10,945	3.5
Selamat Sempurna	Indonesia	Consumer Discretionary	10,729	3.4
Blue Star	India	Industrials	10,360	3.3
Vitasoy International	Hong Kong	Consumer Staples	10,161	3.2
Concepcion Industrial	Philippines	Industrials	9,310	2.9
Mitra Adiperkasa	Indonesia	Consumer Discretionary	9,130	2.9
Haw Par	Singapore	Consumer Staples	9,086	2.9
Godrej Industries	India	Materials	9,045	2.9
Colgate-Palmolive India	India	Consumer Staples	8,500	2.7
Total			98,907	31.4

Sector Allocation (% of Shareholders' Funds)

as at 29 February 2020



Income Statement

for the six months to 29 February 2020

	Six months to 29 February 2020 (unaudited)			Six months to 28 February 2019 (unaudited)		
	Revenue £000	Capital £000	Total* £000	Revenue £000	Capital £000	Total* £000
Losses on investments	–	(24,954)	(24,954)	–	(15,317)	(15,317)
Income from investments	1,448	–	1,448	1,454	–	1,454
Other income	33	–	33	33	–	33
Investment management fee	(1,232)	–	(1,232)	(1,231)	–	(1,231)
Currency losses	–	(1,888)	(1,888)	–	(659)	(659)
Other administrative expenses	(416)	–	(416)	(376)	–	(376)
Net return on ordinary activities before taxation	(167)	(26,842)	(27,009)	(120)	(15,976)	(16,096)
Tax on ordinary activities	(77)	(256)	(333)	(59)	(39)	(98)
Net return attributable to equity shareholders	(244)	(27,098)	(27,342)	(179)	(16,015)	(16,194)
Net return per ordinary share	(0.82p)	(90.71p)	(91.53p)	(0.60p)	(53.61p)	(54.21p)

* The total column of this statement is the Profit & Loss Account of the Company. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

There are no items of other comprehensive income. This statement is, therefore, the single statement of comprehensive income of the Company.

All revenue and capital items derive from continuing operations.

Statement of Financial Position

as at 29 February 2020

	At 29 February 2020 £000 (unaudited)	At 31 August 2019 £000 (audited)
FIXED ASSETS – EQUITY INVESTMENTS		
Bangladesh	5,682	6,182
China	26,642	31,500
Hong Kong	23,287	22,000
India	100,364	100,822
Indonesia	43,343	36,558
Malaysia	1,543	2,882
Pakistan	4,681	5,082
Philippines	39,826	34,061
Singapore	17,373	19,617
South Korea	–	3,853
Sri Lanka	3,385	7,409
Taiwan	22,370	34,836
Vietnam	7,346	7,934
Total Equities	295,842	312,736
Net Current Assets	19,445	33,328
Total Assets less Current Liabilities	315,287	346,064
CAPITAL AND RESERVES		
Ordinary share capital	7,853	7,853
Share premium account	34,259	34,259
Capital redemption reserve	58	58
Capital reserves	268,656	295,754
Revenue reserve	4,461	8,140
Equity Shareholders' Funds	315,287	346,064
Net asset value per share	1,055.40p	1,158.42p

Cash Flow Statement

for the six months to 29 February 2020

	Note	Six months to 29 February 2020 £000 (unaudited)	Six months to 28 February 2019 £000 (unaudited)
Net cash outflow from operations before dividends, interest, purchases and sales	8	(1,691)	(1,743)
Dividends received from investments		1,777	1,758
Interest received from deposits		33	33
Purchases of investments		(72,415)	(39,962)
Sales of investments		58,408	48,914
Cash (outflow)/inflow from operations		(13,888)	9,000
Taxation		(345)	(134)
Net cash (outflow)/inflow from operating activities		(14,233)	8,866
Financing activities			
Equity dividend paid		(3,435)	(3,435)
Buyback of ordinary shares		-	(1)
Net cash outflow from financing activities		(3,435)	(3,436)
(Decrease)/increase in cash and cash equivalents		(17,668)	5,430
Cash and cash equivalents at the start of the period		40,949	19,046
Effect of currency losses		(1,888)	(659)
Cash and cash equivalents at the end of the period*		21,393	23,817

*Cash and cash equivalents represents cash at bank

Statement of Changes in Equity

for the six months ended 29 February 2020

	Share Capital £000	Share Premium Account £000	Capital Redem- ption Reserve £000	Capital Reserves £000	Revenue Reserve £000	Total £000
Balance at 31 August 2019	7,853	34,259	58	295,754	8,140	346,064
Total comprehensive income:						
Return for the period	–	–	–	(27,098)	(244)	(27,342)
Transactions with owners recognised directly in equity:						
Dividend paid in the period	–	–	–	–	(3,435)	(3,435)
Balance at 29 February 2020	7,853	34,259	58	268,656	4,461	315,287

for the six months ended 28 February 2019

	Share Capital £000	Share Premium Account £000	Capital Redem- ption Reserve £000	Capital Reserves £000	Revenue Reserve £000	Total £000
Balance at 31 August 2018	7,853	34,259	58	295,389	7,841	345,400
Total comprehensive income:						
Return for the period	–	–	–	(16,015)	(179)	(16,194)
Transactions with owners recognised directly in equity:						
Dividend paid in the period	–	–	–	–	(3,435)	(3,435)
Balance at 28 February 2019	7,853	34,259	58	279,374	4,227	325,771

Changes in Equity Investments

	Valuation at 31 August 2019 £000	Purchases £000	Sales £000	Appreciation/ (depreciation) £000	Valuation at 29 February 2020 £000
Bangladesh	6,182	–	–	(500)	5,682
China	31,500	4,974	(5,039)	(4,793)	26,642
Hong Kong	22,000	8,871	(3,622)	(3,962)	23,287
India	100,822	23,744	(21,480)	(2,722)	100,364
Indonesia	36,558	11,705	(6)	(4,914)	43,343
Malaysia	2,882	–	(818)	(521)	1,543
Pakistan	5,082	–	(514)	113	4,681
Philippines	34,061	10,607	(534)	(4,308)	39,826
Singapore	19,617	–	–	(2,244)	17,373
South Korea	3,853	–	(3,805)	(48)	–
Sri Lanka	7,409	–	(3,591)	(433)	3,385
Taiwan	34,836	–	(12,432)	(34)	22,370
Vietnam	7,934	–	–	(588)	7,346
	<u>312,736</u>	<u>59,901</u>	<u>(51,841)</u>	<u>(24,954)</u>	<u>295,842</u>

Notes to Accounts

- 1 The condensed Financial Statements for the six months to 29 February 2020 comprise the Income Statement, Statement of Financial Position, Cash Flow Statement and Statement of Changes in Equity, together with the notes set out below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting', UK Generally Accepted Accounting Principles ("UK GAAP") and the AIC's Statement of Recommended Practice issued in October 2019.
- 2 The position as at 31 August 2019 on page 9 is an abridged version of that contained in the Annual Report and Accounts, which received an unqualified audit report and which have been filed with the Registrar of Companies. This Interim Report has been prepared under the same accounting policies adopted for the year to 31 August 2019.
- 3 The return per ordinary share figure is based on the net loss for the six months ended 29 February 2020 of £27,342,000 (six months ended 28 February 2019: net loss of £16,194,000) and on 29,873,784 (six months ended 28 February 2019: 29,873,784) ordinary shares, being the weighted average number of ordinary shares in issue during the respective periods.
- 4 At 29 February 2020 there were 29,873,784 ordinary shares in issue and 1,539,879 ordinary shares held in Treasury (31 August 2019: 29,873,784 in issue and 1,539,879 held in Treasury).
- 5 Amounts recognised as distributions in the period:

	At 29 February 2020 £000	At 28 February 2019 £000
Dividend for the year ending 31 August 2019 of 11.5p (2018 – 11.5p), paid 17 January 2020	3,435	3,435

- 6 Under the terms of the Investment Management Agreement, an annual performance fee may be payable to the Investment Manager at the end of the year. A detailed explanation of the performance fee computation is set out on page 53 of the Annual Report and Accounts. The total fee payable to the Investment Manager is capped at 1.5% per annum of the Company's net assets.

Assuming no change in share price, MSCI AC Asia ex Japan Index Total Return and shares in issue between 29 February 2020 and 31 August 2020, the estimated performance fee for the year ending 31 August 2020 would amount to £nil. No performance fee has been accrued in the six months to 29 February 2020.

- 7 Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102 and FRS 104, these investments are analysed using the fair value hierarchy described below. Short-term balances are excluded as their carrying value at the reporting date approximates to their fair value.

Notes to Accounts – Continued

The levels are determined by the lowest (that is, the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 – Investments with prices quoted in an active market;

Level 2 – Investments whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3 – Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

All of the Company's investments were categorised as Level 1 for the six month period to 29 February 2020.

- 8 Reconciliation of total return on ordinary activities before taxation to net cash outflow before dividends, interest, purchases and sales

	Six months to 29 February 2020 £000	Six months to 28 February 2019 £000
Net return on activities before taxation	(27,009)	(16,096)
Net losses on investments	24,954	15,317
Currency losses	1,888	659
Dividend income	(1,448)	(1,454)
Interest income	(33)	(33)
Decrease in creditors	(31)	(125)
Increase in debtors	(12)	(11)
Net cash outflow from operations before dividends, interest, purchases and sales	(1,691)	(1,743)

- 9 Covid-19 is an event which has caused significant market volatility since the period end on 29 February 2020 and the Company's NAV and share price at close on 1 April 2020 were 816.92p and 670.00p respectively. Further details are included in the Interim Management Report above.

Principal Risks and Uncertainties

Given the nature of its investment activities, the principal risks that Scottish Oriental faces from its financial instruments are market risk (comprising interest rate, currency and other price risks) and credit risk. Other than the outbreak of Covid-19 and the significant uncertainty this has created, the principal risks and uncertainties have not changed since the publication of the Annual Report and Accounts. A detailed explanation of these risks and how they are managed is set out in Note 13 on pages 58 to 61 of the Annual Report and Accounts. Scottish Oriental's assets mainly comprise listed equities though the significant market volatility resulting from the outbreak of Covid-19 may impact liquidity in the underlying portfolio. The Investment Manager monitors portfolio liquidity and manages this to ensure the Company maintains sufficient levels of liquidity to operate effectively. Scottish Oriental's investment portfolio is exposed to market price fluctuations and currency fluctuations which are monitored by the Investment Manager. The Company is also exposed to minimal interest rate risk on interest receivable from bank deposits and interest payable on bank overdraft positions.

Going Concern

After making inquiries and bearing in mind the nature of the Company's business and assets, the Directors believe that the Company has adequate resources to continue operating for at least twelve months from the date of approval of the condensed financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibility Statement

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

- (a) the condensed set of financial statements within the half-yearly financial report, prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting), gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- (b) the Interim Management Report includes a fair review of the information required by 4.2.7R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (important events that have occurred in the first six months of the Company's financial year, together with their effect on the half-yearly financial statements to 29 February 2020 and a description of the principal risks and uncertainties for the remaining six months of the financial year). Rule 4.2.8R requires information on related party transactions. No related party transactions have taken place during the first six months of the financial year that have materially affected the financial position of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Accounts that could do so.

The half-yearly report for the six months to 29 February 2020 comprises the Interim Management Report, the Directors' Responsibility Statement and a condensed set of financial statements and has not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

By order of the Board

James Ferguson
Chairman

2 April 2020

Information for Investors

Financial Diary

The Company's financial year ends on 31 August. The preliminary results are announced in October or November and the Annual Report and Accounts are published in October or November. Any dividend payable on the ordinary shares will be paid in January or February.

Capital Gains Tax

An individual tax payer is currently entitled to an annual total tax free gain of £12,000 (2019/20 tax year) from the sale of any shares and other capital assets. Any gain beyond that amount may be liable to capital gains tax.

For initial investors the apportioned base cost of ordinary shares and warrants for capital gains tax purposes is 92.59p per ordinary share and 37.05p per warrant.

Where to find Scottish Oriental's Share Price

The share price can be found on the London Stock Exchange website by using the Company's TIDM code 'SST' within the price search facility.

The Internet

Scottish Oriental's website provides up-to-date information on the share price, net asset value and discount. We hope you will visit the Company's website at : www.scottishoriental.com. Investor Centre from Computershare (Scottish Oriental's registrar) enables you to manage and update your shareholder information. For this purpose you can register free with Investor Centre at www-uk.computershare.com/investor.

Data Protection

The Company is committed to ensuring the privacy of any personal data provided to it. Further details of the Company's privacy policy can be found on the Company's website www.scottishoriental.com.

Regulatory Status

Since Scottish Oriental is an investment trust pursuant to section 1158 of the Corporation Tax Act 2010, the FCA rules in relation to non-mainstream investment products do not apply to the Company.

Further Information

If you require any further information please contact PATAC Limited at the address on the following page or by telephone on +44 (0)131 538 1400.

For registry queries contact Computershare by telephone on +44 (0)370 707 1307.

Company Information

Board of Directors

James Ferguson
Andrew Baird
Anne West
Jeremy Whitley

Secretary

PATAC Limited
21 Walker Street
Edinburgh EH3 7HX
Email: cosec@patplc.co.uk
Tel: +44 (0)131 538 1400

Registered Office

10 St Colme Street
Edinburgh EH3 6AA

Custodian

J.P. Morgan Chase bank N.A.
25 Bank Street
Canary Wharf
London E14 5JP

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Company Number

SC 156108

Investment Manager

First State Investment Management (UK) Limited
23 St Andrew Square
Edinburgh EH2 1BB
(Authorised and regulated by the Financial
Conduct Authority)
Tel: +44 (0)131 473 2200
Fax: +44 (0)131 473 2222

Alternative Investment Fund Manager

First State Investments (UK) Limited
15 Finsbury Circus
London EC2M 7EB

Registrar

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Depository

J.P. Morgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

Company Website

www.scottishoriental.com



The Scottish Oriental Smaller Companies
Trust plc is a member of the Association of
Investment Companies

