



The Scottish Oriental
Smaller Companies Trust plc

2017

The **Scottish Oriental** Smaller Companies Trust plc

Interim Report
and Accounts
28 February 2017

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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\$1,500m, 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 18 of the Annual Report and Accounts for the year ending 31 August 2016 (“the Annual Report and Accounts”).

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 share price risks) and credit risk. 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 15 on pages 50 to 53 of the Annual Report and Accounts. As Scottish Oriental’s assets mainly comprise readily realisable securities, other than in exceptional circumstances there should be no significant liquidity risk. 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, which are considered to be readily realisable if required, the Directors believe that there are no material uncertainties and 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 accounts.

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 28 February 2017 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 28 February 2017 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

12 April 2017

Total Return Performance (Unaudited)

for the six months to 28 February 2017

| | | | |
|------------------------------|------|---|-------|
| Net Asset Value (cum-income) | 7.7% | MSCI AC Asia ex Japan Index (£) | 10.1% |
| Share Price | 5.8% | MSCI AC Asia ex Japan Small Cap Index (£) | 8.6% |
| | | FTSE All-Share Index (£) | 8.6% |

Summary Data (Unaudited)

at 28 February 2017

| | | | |
|---------------------------|------------|---|----------|
| Shares in issue | 30,960,163 | Shareholders' Funds | £345.21m |
| Net Asset Value per share | 1,115.01p | Market Capitalisation | £292.57m |
| Share Price | 945.00p | Share Price Discount to Net Asset Value | 15.3% |

Benchmark and Comparative Indices

Since 2003 the Directors have used the Morgan Stanley Capital International AC Asia ex Japan Index as the Trust's benchmark, 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 Trust in March 1995.

For comparison purposes, the Trust is also displaying the Morgan Stanley Capital International AC Asia ex Japan Small Cap Index, which also covers the relevant markets with the exception of Bangladesh, Sri Lanka and Vietnam. This Index is made up of companies with a market capitalisation of between US\$48m and US\$2,357m. The range is not an exact match to that of the Trust, which has no lower limit and which invests mainly in companies with a market capitalisation of under US\$1,500m. Nevertheless, it gives a useful indication of the performance of smaller companies in Asia over recent years.

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

Interim Management Report

Investment performance

Over the six months ending 28 February 2017, Scottish Oriental's net asset value per share increased by 7.7 per cent in total return terms, while the MSCI AC Asia ex Japan Index recorded a sterling adjusted increase of 10.1 per cent and the MSCI AC Asia ex Japan Small Cap Index a rise of 8.6 per cent on the same basis. The Trust's share price rose by 5.8 per cent in total return terms over the period. The Trust underperformed the FTSE All-Share Index, which rose by 8.6 per cent in total return terms over the six month period.

The Trust's shares traded at a discount ranging from 9.4 per cent to 16.1 per cent during the period, reflecting the volatility in Asian markets and continued investor caution, and stood at a discount to NAV of 15.3 per cent on 28 February 2017. The Trust bought back 60,000 shares during the six months under review, at an average discount to NAV of 15.4 per cent.

Scottish Oriental had borrowings of £20 million, equivalent to 5.8 per cent of net asset value, as of 28 February 2017. The Trust's cash level increased to £52.0 million at the end of the period, representing 15.1 per cent of net assets. The Manager will seek to invest this money gradually once suitable long term investment opportunities have been identified.

Review

Asian stock markets rose over the six months ending 28 February 2017. Investor sentiment continued to be influenced by the outlook for the global economy, and specifically by monetary policies in China, the West and Japan. The US raised interest rates in December and expectations are of further increases in 2017. This appears to have halted monetary easing amongst Asian central banks, and policymakers in a number of Asian countries have highlighted inflation concerns.

Taiwan, Singapore and Korea performed strongly over the period as their exporters and financial sector companies benefited from expectations of improving growth. The Philippines was the worst performing market, falling on investor concern about President Duterte's unpredictable and authoritarian rule. Malaysia was also weak, the government's apparent focus being on consolidating power rather than the domestic economy.

Asian smaller companies underperformed their larger counterparts. This was especially notable in South Korea.

Outlook

Corporate earnings disappointed again in 2016. 2017 has started strongly in terms of Asian stock market performance on the expectation, or perhaps hope, that things will be different this year. Whilst the outlook for global growth is perhaps more positive, with this potential growth comes the risk of interest rates in the US rising more rapidly than Asian policymakers would like. Rising interest rates in the US reduces flexibility for Asian central banks. If inflationary pressures are returning, this could necessitate policy rate increases in Asia which would put pressure on domestic economies as well as the corporates that have leveraged balance sheets.

We continue to place a significant emphasis on Indian companies where we find both growth and some of the best management teams in Asia. In addition to finding opportunities in India we have discovered opportunities in the Philippines and Indonesia over the last six months. All three countries have comparatively strong domestic growth. The Trust has relatively high cash levels and we would like an opportunity to deploy these funds in some of our favourite companies but would prefer to make such investments at more reasonable valuations.

We are being cautious about the price we are willing to pay for stocks when investing these funds. The same issues that have been weighing on us for the past few years remain, namely: the long term impact of recent unorthodox monetary policies; excess debt levels; and overcapacity in a number of industries, particularly in China. We also have some new issues to worry about as a result of the more hostile rhetoric coming from the United States combined with an increasingly assertive China and also the likelihood that interest rates will rise more quickly than markets had been expecting.

Directorate Change

Jeremy Whitley was appointed as a non-executive Director of the Company in March 2017. Following a twenty nine year investment career, Jeremy left full time employment at Aberdeen Asset Management at the end of March 2017, where he held the position of Head of UK and European equities since July 2009. Previous roles there include being a senior investment manager on the Global equities team as well as the Asian equities team, based in Singapore, where he was lead manager of the Edinburgh Dragon Trust. He began his investment career at SG Warburg & Co in 1988.

Dividend

A dividend of 11.5p per share was paid on 20 January 2017 for the year ending 31 August 2016 (31 August 2015: 11.5p per share). It is too early to make a forecast of the distribution for the current financial year.

List of Quoted Equity Investments

as at 28 February 2017

| | % of Shareholders' Funds | | % of Shareholders' Funds | | % of Shareholders' Funds |
|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|--|--------------------------------|
| BANGLADESH (1.2%) | | INDIA (22.1%) | | INDONESIA (7.5%) | |
| Financials (1.2%) | | Consumer Discretionary (1.3%) | | Consumer Discretionary (4.1%) | |
| Delta Brac Housing | 1.2 | Jubilant Foodworks | 0.3 | Astra Otoparts | 1.1 |
| CHINA (13.0%) | | Shopper's Stop | 0.2 | Selamat Sempurna | 0.8 |
| Consumer Discretionary (3.6%) | | Suprajit Engineering | 0.8 | Mitra Adiperkasa | 2.2 |
| Asia Satellite Telecom | 0.6 | Consumer Staples (1.1%) | | Consumer Staples (1.4%) | |
| Minth | 3.0 | Marico | 1.1 | Hero Supermarket | 1.4 |
| Consumer Staples (2.1%) | | Healthcare (1.2%) | | Financials (1.1%) | |
| Uni-President China | 2.1 | Indoco Remedies | 1.2 | Bank OCBC NISP | 1.1 |
| Healthcare (3.4%) | | Industrials (6.9%) | | Telecommunication Services (0.9%) | |
| Tong Ren Tang | 3.4 | Blue Star | 2.6 | XL Axiata | 0.9 |
| Industrials (0.8%) | | Container Corp of India | 0.5 | MALAYSIA (1.1%) | |
| Singamas Container | 0.8 | SKF India | 2.5 | Consumer Discretionary (0.6%) | |
| Information Technology (0.4%) | | Tube Investments of India | 1.3 | APM Automotive | 0.6 |
| Sunny Optical | 0.4 | Information Technology (2.2%) | | Industrials (0.5%) | |
| Utilities (2.7%) | | Mphasis | 2.2 | IJM Corporation | 0.5 |
| Towngas China | 2.7 | Materials (6.2%) | | PHILIPPINES (6.0%) | |
| HONG KONG (6.6%) | | Godrej Industries | 2.4 | Financials (1.6%) | |
| Consumer Staples (2.5%) | | HeidelbergCement India | 1.3 | China Banking | 1.6 |
| Vitasoy International | 2.5 | Kansai Nerolac Paints | 1.3 | Industrials (1.6%) | |
| Financials (2.1%) | | Linde India | 1.2 | Concepcion Industrial | 1.6 |
| Aeon Credit Service | 0.5 | Utilities (1.7%) | | Information Technology (0.8%) | |
| Public Financial | 1.6 | Gujarat Gas | 1.7 | Integrated Microelectronics | 0.8 |
| Industrials (2.0%) | | Real Estate (1.5%) | | Utilities (2.0%) | |
| Kwoon Chung | | Godrej Properties | 1.4 | Manila Water Company | 2.0 |
| Bus Holdings | 0.5 | Mahindra Lifespace | 0.1 | | |
| Pacific Basin Shipping | 1.5 | | | | |

List of Quoted Equity Investments – Continued

as at 28 February 2017

| | % of Shareholders' Funds | | % of Shareholders' Funds | | % of Shareholders' Funds |
|--|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| SINGAPORE (8.3%) | | TAIWAN (10.5%) | | THAILAND (5.4%) | |
| Consumer Staples (5.5%) | | Consumer Discretionary (2.4%) | | Financials (0.9%) | |
| Delfi | 2.3 | Taiwan Familymart | 2.4 | Aeon Thana Sinsap | 0.9 |
| Haw Par | 2.1 | Consumer Staples (1.6%) | | Industrials (3.2%) | |
| Sheng Siong Group | 1.1 | Standard Foods | 1.6 | Delta Electronics | 3.2 |
| Healthcare (2.2%) | | Industrials (0.5%) | | Information Technology (1.3%) | |
| Raffles Medical Group | 2.2 | Voltronic Power | 0.5 | Hana Microelectronics | 1.3 |
| Information Technology (0.6%) | | Information Technology (6.0%) | | VIETNAM (0.5%) | |
| iFAST | 0.6 | GoDEX International | 0.1 | Information Technology (0.5%) | |
| SOUTH KOREA (3.8%) | | Lumax International | 1.0 | FPT | 0.5 |
| Consumer Discretionary (1.6%) | | PCHome Online | 0.2 | | |
| Hana Tour Service | 1.6 | Posiflex Technologies | 1.2 | | |
| Consumer Staples (2.2%) | | Sinbon Electronics | 1.4 | | |
| Amorepacific Group | 2.2 | Sitronix Technology | 1.1 | | |
| SRI LANKA (4.6%) | | Wistron NeWeb | 1.0 | | |
| Financials (1.2%) | | | | | |
| Commercial Bank of Ceylon | 1.2 | | | | |
| Industrials (2.2%) | | | | | |
| Hemas Holdings | 1.3 | | | | |
| John Keells Holdings | 0.9 | | | | |
| Telecommunication Services (1.2%) | | | | | |
| Dialog Axiata | 1.2 | | | | |

Ten Largest Equity Holdings

as at 28 February 2017

| Company | Country | Market Valuation £'000 | % of Shareholders' Funds |
|-----------------------|-----------|---------------------------|--------------------------|
| Tong Ren Tang | China | 11,897 | 3.4 |
| Delta Electronics | Thailand | 11,100 | 3.2 |
| Minth | China | 10,158 | 3.0 |
| Towngas China | China | 9,264 | 2.7 |
| Blue Star | India | 8,843 | 2.6 |
| SKF India | India | 8,748 | 2.5 |
| Vitasoy International | Hong Kong | 8,598 | 2.5 |
| Taiwan Familymart | Taiwan | 8,354 | 2.4 |
| Godrej Industries | India | 8,257 | 2.4 |
| Delfi | Singapore | 7,929 | 2.3 |
| Total | | 93,148 | 27.0 |

Sector Allocation

as at 28 February 2017

| Sector | % of Shareholders' Funds |
|----------------------------|--------------------------|
| Industrials | 17.7 |
| Consumer Staples | 16.4 |
| Consumer Discretionary | 13.6 |
| Information Technology | 11.8 |
| Financials | 8.1 |
| Healthcare | 6.8 |
| Utilities | 6.4 |
| Materials | 6.2 |
| Telecommunication Services | 2.1 |
| Real Estate | 1.5 |
| Total Equities | 90.6 |
| Net current assets | 15.2 |
| Loan | (5.8) |
| Net Assets | 100.0 |

Income Statement

for the six months to 28 February 2017

| | Six months to 28 February 2017 (unaudited) | | | Six months to 29 February 2016 (unaudited) | | |
|--|--|-----------------|----------------|--|-----------------|----------------|
| | Revenue £000 | Capital £000 | Total* £000 | Revenue £000 | Capital £000 | Total* £000 |
| Gains on investments | – | 23,307 | 23,307 | – | 8,041 | 8,041 |
| Income from investments | 1,818 | – | 1,818 | 1,133 | – | 1,133 |
| Other income | 26 | – | 26 | 43 | – | 43 |
| Investment management fee | (1,254) | – | (1,254) | (989) | – | (989) |
| Currency gains | – | 1,352 | 1,352 | – | 1,102 | 1,102 |
| Other administrative expenses | (314) | – | (314) | (299) | – | (299) |
| Net return before finance costs and taxation | 276 | 24,659 | 24,935 | (112) | 9,143 | 9,031 |
| Finance costs of borrowing | (311) | – | (311) | (313) | – | (313) |
| Net return on ordinary activities before taxation | (35) | 24,659 | 24,624 | (425) | 9,143 | 8,718 |
| Tax on ordinary activities | (132) | – | (132) | (26) | – | (26) |
| Net return attributable to equity shareholders | (167) | 24,659 | 24,492 | (451) | 9,143 | 8,692 |
| Net return per ordinary share | (0.54p) | 79.58p | 79.04p | (1.43p) | 29.02p | 27.59p |

* 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, therefore this statement is the single statement of comprehensive income of the Company.

All revenue and capital items derive from continuing operations.

Statement of Financial Position

as at 28 February 2017

| | At 28 February 2017 £000 (unaudited) | At 31 August 2016 £000 (audited) |
|--|--|--|
| EQUITY INVESTMENTS | | |
| Bangladesh | 4,138 | – |
| China | 44,783 | 49,932 |
| Hong Kong | 22,632 | 16,255 |
| India | 76,182 | 76,178 |
| Indonesia | 25,868 | 15,271 |
| Malaysia | 3,718 | 8,025 |
| Philippines | 20,464 | 10,265 |
| Singapore | 28,949 | 40,618 |
| South Korea | 13,053 | 11,930 |
| Sri Lanka | 16,032 | 9,678 |
| Taiwan | 36,371 | 42,853 |
| Thailand | 18,796 | 15,608 |
| Vietnam | 1,826 | 1,124 |
| Total Equities | <u>312,812</u> | <u>297,737</u> |
| Net Current Assets | <u>52,397</u> | <u>47,082</u> |
| Total Assets less Current Liabilities | <u>365,209</u> | <u>344,819</u> |
| CREDITORS (due after one year) | | |
| Loan | <u>(20,000)</u> | <u>(20,000)</u> |
| Equity Shareholders' Funds | <u>345,209</u> | <u>324,819</u> |
| CAPITAL AND RESERVES | | |
| Ordinary share capital | 7,853 | 7,853 |
| Share premium account | 34,259 | 34,259 |
| Capital redemption reserve | 58 | 58 |
| Capital reserves | 296,728 | 272,611 |
| Revenue reserve | 6,311 | 10,038 |
| | <u>345,209</u> | <u>324,819</u> |
| Net asset value per share | <u>1,115.01p</u> | <u>1,047.12p</u> |

Cash Flow Statement

for the six months to 28 February 2017

| | Note | Six months to 28 February 2017 £000 (unaudited) | Six months to 29 February 2016 £000 (unaudited) |
|---|------|---|---|
| Net cash outflow from operations before dividends, interest, purchases and sales | 8 | (1,213) | (1,462) |
| Dividends received from investments | | 2,439 | 1,857 |
| Interest received from deposits | | 26 | 43 |
| Purchases of investments | | (93,890) | (30,954) |
| Sales of investments | | <u>100,551</u> | <u>35,490</u> |
| Cash from operations | | 7,913 | 4,974 |
| Taxation | | <u>(167)</u> | <u>(39)</u> |
| Net cash inflow from operating activities | | 7,746 | 4,935 |
| Financing activities | | | |
| Interest paid on borrowings | | (314) | (318) |
| Equity dividend paid | | (3,560) | (3,613) |
| Buyback of ordinary shares | | <u>(542)</u> | <u>(2,502)</u> |
| Net cash outflow from financing activities | | (4,416) | (6,433) |
| Increase/(decrease) in cash and cash equivalents | | 3,330 | (1,498) |
| Cash and cash equivalents at the start of the period | | 47,352 | 31,974 |
| Effect of currency gains | | <u>1,352</u> | <u>1,102</u> |
| Cash and cash equivalents at the end of the period* | | <u>52,034</u> | <u>31,578</u> |

*Cash and cash equivalents represents cash at bank

Statement of Changes in Equity

for the six months ended 28 February 2017

| | Share Capital £000 | Share Premium Account £000 | Capital Redem- ption Reserve £000 | Capital Reserves £000 | Revenue Reserve £000 | Total £000 |
|--|--------------------------|-------------------------------------|---|-----------------------------|----------------------------|----------------|
| Balance at 31 August 2016 | 7,853 | 34,259 | 58 | 272,611 | 10,038 | 324,819 |
| Total comprehensive income: | | | | | | |
| Return for the period | – | – | – | 24,659 | (167) | 24,492 |
| Transactions with owners recognised directly in equity: | | | | | | |
| Buyback of ordinary shares | – | – | – | (542) | – | (542) |
| Dividend paid in the period | – | – | – | – | (3,560) | (3,560) |
| Balance at 28 February 2017 | 7,853 | 34,259 | 58 | 296,728 | 6,311 | 345,209 |

for the six months ended 29 February 2016

| | Share Capital £000 | Share Premium Account £000 | Capital Redem- ption Reserve £000 | Warrant Reserve Exercised £000 | Capital Reserves £000 | Revenue Reserve £000 | Total £000 |
|--|--------------------------|-------------------------------------|---|---|-----------------------------|----------------------------|----------------|
| Balance at 31 August 2015 | 7,874 | 32,940 | 37 | 1,319 | 204,321 | 10,684 | 257,175 |
| Total comprehensive income: | | | | | | | |
| Return for the period | – | – | – | – | 9,143 | (451) | 8,692 |
| Transactions with owners recognised directly in equity: | | | | | | | |
| Buyback of ordinary shares | (21) | – | 21 | – | (2,497) | – | (2,497) |
| Dividend paid in the period | – | – | – | – | – | (3,613) | (3,613) |
| Transfer of Warrant Reserve* | – | 1,319 | – | (1,319) | – | – | – |
| Balance at 29 February 2016 | 7,853 | 34,259 | 58 | – | 210,967 | 6,620 | 259,757 |

* As approved by the Board on 15 December 2015

Changes in Equity Investments

| | Valuation at 31 August 2016 £000 | Purchases £000 | Sales £000 | Appreciation/ (depreciation) £000 | Valuation at 28 February 2017 £000 |
|-------------|---|-------------------|-----------------|---|---|
| Bangladesh | – | 3,947 | – | 191 | 4,138 |
| China | 49,932 | 10,604 | (19,065) | 3,312 | 44,783 |
| Hong Kong | 16,255 | 4,781 | (4,871) | 6,467 | 22,632 |
| India | 76,178 | 24,057 | (30,844) | 6,791 | 76,182 |
| Indonesia | 15,271 | 11,960 | (3,089) | 1,726 | 25,868 |
| Malaysia | 8,025 | – | (4,217) | (90) | 3,718 |
| Philippines | 10,265 | 9,705 | – | 494 | 20,464 |
| Singapore | 40,618 | 1,380 | (10,261) | (2,788) | 28,949 |
| South Korea | 11,930 | 670 | – | 453 | 13,053 |
| Sri Lanka | 9,678 | 5,960 | – | 394 | 16,032 |
| Taiwan | 42,853 | 11,652 | (19,880) | 1,746 | 36,371 |
| Thailand | 15,608 | 2,177 | (3,515) | 4,526 | 18,796 |
| Vietnam | 1,124 | 617 | – | 85 | 1,826 |
| | <u>297,737</u> | <u>87,510</u> | <u>(95,742)</u> | <u>23,307</u> | <u>312,812</u> |

Notes to Accounts

- The condensed Financial Statements for the six months to 28 February 2017 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' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in January 2017 with consequential amendments.
- The position as at 31 August 2016 on page 10 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 2016.
- The return per ordinary share figure is based on the net return for the six months of £24,492,000 (six months ended 29 February 2016: net return of £8,692,000) and on 30,986,885 (six months ended 29 February 2016: 31,506,312) ordinary shares, being the weighted average number of ordinary shares in issue during the respective periods.
- At 28 February 2017 there were 30,960,163 ordinary shares in issue and 453,500 ordinary shares held in Treasury (31 August 2016: 31,020,163 in issue and 393,500 held in Treasury). During the six months ended 28 February 2017, the Company bought back 60,000 ordinary shares, all of which have been held in Treasury for future re-issue.

| | At 28 February 2017 £000 | At 29 February 2016 £000 |
|--|-----------------------------------|-----------------------------------|
| 5 Amounts recognised as distributions in the period: Dividend for the year ending 31 August 2016 of 11.5p (2015 – 11.5p), paid 20 January 2017 | <u>3,560</u> | <u>3,613</u> |

- 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 45 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 Free ex Japan Index Total Return and shares in issue between 28 February and 31 August 2017, the estimated performance fee for the year ending 31 August 2017 would amount to £nil. No performance fee has been accrued in the six months to 28 February 2017.

- 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, the tables below provide an analysis of these investments based on the fair value hierarchy described below. Short term balances are excluded from the tables as their carrying value at the reporting date approximates to their fair value.

The fair value hierarchy used to analyse the fair values of financial assets is described below. The Company has early adopted 'Amendments to FRS102. The Financial Reporting Standard applicable in the UK and Republic of Ireland. Fair Value Hierarchy Disclosures', issued by the Financial Reporting Council in March 2016, for the purpose of this fair value hierarchy disclosure.

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.

Financial Instruments Measured at Fair Value

| As at 28 February 2017 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------------|
| Listed Equities | 312,812 | – | – | 312,812 |
| Loan | – | (20,000) | – | (20,000) |
| Total financial instruments | <u>312,812</u> | <u>(20,000)</u> | <u>–</u> | <u>292,812</u> |

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

| | Six months to 28 February 2017 £000 | Six months to 29 February 2016 £000 |
|---|--|--|
| Net return on activities before finance costs and taxation | 24,935 | 9,031 |
| Net gains on investments | (23,307) | (8,041) |
| Currency gains | (1,352) | (1,102) |
| Dividend income | (1,818) | (1,133) |
| Interest income | (26) | (43) |
| Increase/(decrease) in creditors | 5 | (174) |
| Decrease in debtors | 350 | – |
| Net cash outflow from operations before dividends, interest, purchases and sales | <u>(1,213)</u> | <u>(1,462)</u> |

Information for Investors

Financial Diary

The Company's financial year ends on 31 August. The preliminary results are announced in October and the Annual Report and Accounts are published in November. Any dividend payable on the ordinary shares will be paid in January, on shareholdings registered approximately one month before the payment date.

Capital Gains Tax

An individual tax payer is currently entitled to an annual total tax free gain (£11,100 for tax year 2017/18) 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

Scottish Oriental's share price appears daily in the Investment Companies Sector of the Financial Times and other leading daily newspapers.

The share price can also be found on the London Stock Exchange website by using the Trust'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 Trust'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.

Regulatory Status

Since Scottish Oriental is an investment trust pursuant to section 1158 of the Corporation Taxes 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 page opposite, by telephone on +44 (0)131 538 6610 or by fax on +44 (0)131 538 6607.

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

Company Information

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Dr Janet Morgan
Anne West
Jeremy Whitley

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Auditor

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Company Number

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Depository

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Company Website

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The Association of
Investment Companies

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

