



The Scottish Oriental
Smaller Companies Trust plc

2018

The **Scottish Oriental** Smaller Companies Trust plc

Interim Report
and Accounts
28 February 2018

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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 19 of the Annual Report and Accounts* for the year ending 31 August 2017 (“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 other 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 54 to 58 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

* The Company’s Annual Report and Accounts for the year ending 31 August 2017 can be found on the Company’s website at www.scottishoriental.com

- (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 2018 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 2018 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

19 April 2018

Financial Highlights

Total Return Performance (Unaudited) for the six months to 28 February 2018

| | | | |
|--|--------|---|--------|
| Net Asset Value (capital return with dividends reinvested) | (2.3)% | MSCI AC Asia ex Japan Index (£) | 3.4% |
| Share Price | (7.1)% | MSCI AC Asia ex Japan Small Cap Index (£) | 4.2% |
| | | FTSE All-Share Index (£) | (0.9)% |

Summary Data (Unaudited) at 28 February 2018

| | | | |
|---------------------------|------------|---|----------|
| Shares in issue | 30,948,163 | Shareholders' Funds | £355.01m |
| Net Asset Value per share | 1,147.10p | Market Capitalisation | £303.29m |
| Share Price | 980.00p | Share Price Discount to Net Asset Value | 14.6% |

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 market capitalisation of between US\$10m and US\$5,797m. 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\$1,500m 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.

Interim Management Report

Investment performance

Over the six months ending 28 February 2018, Scottish Oriental's net asset value ("NAV") per share decreased by 2.3 per cent in total return terms, while the MSCI AC Asia ex Japan Index recorded a sterling adjusted increase of 3.4 per cent and the MSCI AC Asia ex Japan Small Cap Index a rise of 4.2 per cent on the same basis. The Trust's share price fell by 7.1 per cent in total return terms over the period. The Trust underperformed the FTSE All-Share Index, which fell by 0.9 per cent in total return terms over the six month period.

The biggest detractors from investment performance were Scottish Oriental's relatively low exposure to Chinese companies as well as poor returns from the Trust's investments in Indonesia and the Philippines. The Trust's relatively large cash holdings also detracted from investment performance.

The Trust's shares traded at a discount ranging from 7.5 per cent to 14.6 per cent during the period, reflecting the volatility in Asian markets and continued investor caution, and stood at a discount to NAV of 14.6 per cent on 28 February 2018. The Trust bought back 12,000 shares during the six months under review, at a discount to NAV of 13.8 per cent. These shares will be held in Treasury for future reissue.

The Trust's cash level was £31.9 million at the end of the period, representing 9.0 per cent of net assets. We 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 2018. Investor sentiment was positive with a number of markets producing double digit returns in local currency terms. However the pound strengthened notably against most Asian currencies over the period which resulted in more moderate returns when converted to sterling. The US raised interest rates in December continuing its policy of gradual increases. Expectations are for further increases in 2018. There have been few policy rate changes made by Asian central banks.

The Vietnamese stock market performed exceptionally strongly over the period with company results reflecting the strong economy. Thailand also performed very well with many of its companies benefiting from the rebound in the oil price. The three poorest performing markets were India, the Philippines and Sri Lanka. All produced positive local returns but suffered from weak currencies relative to sterling.

Asian smaller companies modestly outperformed their larger counterparts. Returns were considerably better for smaller companies in India, South Korea and Taiwan.

During the period the number of portfolio holdings was further reduced from 67 to 58 stocks. Companies were typically sold because their valuations became too high or because of a weak growth outlook. Examples of the former category are Godrej Properties, Jubilant Foodworks and Kansai Nerolac Paints in India; and the latter category being Hong Kong's Public Financial Holdings, Singapore's Delfi and Taiwan's Standard Foods. We initiated ten new investments in companies such as Pakistan's Pak Suzuki Motors, the Philippines' Century Pacific Food and Taiwan's Silergy which all have the potential to become much larger companies. We also added to some existing holdings including India's Blue Dart Express and Singapore's Raffles Medical Group where weakness in these companies' share prices saw valuations become more attractive.

As a result of portfolio activity, Scottish Oriental's exposure to the Philippines rose and Hong Kong and India fell. At a sector level, exposure to Industrials and Healthcare rose whereas Financials and Real Estate fell. But more importantly, the Trust portfolio is now concentrated on faster growing companies which, we believe, have the potential to deliver multi-year growth and emerge as winners in their respective industries.

Outlook

2017 saw a strong recovery in global growth and this has been reflected through strong share price performance by Asia's companies – particularly those in more cyclical sectors. Our concern remains that this improvement in growth has happened against a backdrop of rising debt levels at a time when interest rates are near all-time low levels. Although interest rates have started to rise, the pace of these increases has been modest. Inflation has remained benign and this, combined with a weakening US dollar, has given Asia's central bankers the luxury of not needing to follow the US Federal Reserve in raising policy rates. This has resulted in accommodative monetary conditions in most of Asia which has allowed Asia's stock markets to continue to perform well. Debt levels cannot continue to rise forever but this will perhaps not become obvious until interest rates normalise and the cost of servicing debt becomes more significant.

Until such normalisation occurs, we will continue to be cautious. We remain wary of highly leveraged companies and also countries where we believe recent growth has been borrowed from the future by increased borrowing by the government, corporations and consumers. A large portion of Scottish Oriental's funds are invested in India, Indonesia and the Philippines – countries where we have found the most companies recently that we believe have strong long term growth ahead of them. These three countries have relatively low levels of debt when compared to GDP with recent growth being fuelled by structural domestic factors rather than cheap, borrowed money. Our caution also means that the Trust still has relatively high levels of cash.

Whilst we are keen for the portfolio to be fully invested, valuations of quality Asian companies remain as high as we can remember. With this in mind we will look to deploy the Trust's cash reserves as and when we find companies that meet our investment criteria at valuations where we believe the likely returns over the medium term are reasonable.

Dividend

A dividend of 11.5p per share was paid on 19 January 2018 for the year ending 31 August 2017 (31 August 2016: 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 2018

| | % of Shareholders' Funds | | % of Shareholders' Funds | | % of Shareholders' Funds |
|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| BANGLADESH (1.5%) | | INDIA (24.3%) | | INDONESIA (7.8%) | |
| Financials (1.5%) | | Consumer Discretionary (3.6%) | | Consumer Discretionary (4.6%) | |
| Delta Brac | 1.5 | Mahindra CIE Automotive | 1.6 | Astra Otoparts | 1.2 |
| CHINA (11.0%) | | Shoppers Stop | 0.7 | Mitra Adiperkasa | 1.7 |
| Consumer Discretionary (2.2%) | | SP Apparels | 0.6 | Selamat Sempurna | 1.7 |
| JNBY Design | 0.3 | Suprajit Engineering | 0.7 | Consumer Staples (1.8%) | |
| Minth | 1.9 | Consumer Staples (1.4%) | | Hero Supermarket | 1.2 |
| Consumer Staples (3.0%) | | Jyothy Laboratories | 1.4 | Sumber Alfaria Trijaya | 0.6 |
| Uni-President China | 3.0 | Healthcare (2.8%) | | Financials (1.4%) | |
| Healthcare (2.5%) | | Dr Lal Pathlabs | 0.4 | Bank OCBC NISP | 1.4 |
| Tong Ren Tang | 2.5 | Healthcare Global Enterprises | 2.4 | MALAYSIA (2.6%) | |
| Utilities (3.3%) | | Industrials (8.0%) | | Consumer Discretionary (1.1%) | |
| Towngas China | 3.3 | Blue Dart Express | 2.1 | APM Automotive | 1.1 |
| HONG KONG (4.9%) | | Blue Star | 2.5 | Materials (1.5%) | |
| Consumer Discretionary (1.7%) | | SKF India | 3.4 | Lafarge Malaysia | 1.5 |
| Fairwood Holdings | 1.7 | Information Technology (1.5%) | | PAKISTAN (1.4%) | |
| Consumer Staples (2.4%) | | Mphasis | 1.5 | Consumer Discretionary (1.4%) | |
| Vitasoy International | 2.4 | Materials (3.7%) | | Indus Motors | 0.9 |
| Industrials (0.8%) | | Godrej Industries | 1.1 | Pak Suzuki Motors | 0.5 |
| Kwoon Chung Bus Holding | 0.8 | HeidelbergCement India | 1.6 | PHILIPPINES (9.9%) | |
| | | Linde India | 1.0 | Consumer Staples (1.4%) | |
| | | Real Estate (1.5%) | | Century Pacific Food | 1.4 |
| | | Mahindra Lifespace | 1.5 | Financials (2.6%) | |
| | | Utilities (1.8%) | | China Banking | 2.6 |
| | | Gujarat Gas | 1.8 | Industrials (3.0%) | |
| | | | | Concepcion Industrial | 3.0 |
| | | | | Materials (1.1%) | |
| | | | | Cemex Holdings | 1.1 |
| | | | | Utilities (1.8%) | |
| | | | | Manila Water Company | 1.8 |

List of Quoted Equity Investments – Continued

as at 28 February 2018

| | % of Shareholders' Funds | | % of Shareholders' Funds | | % of Shareholders' Funds |
|--|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| SINGAPORE (5.1%) | | TAIWAN (11.6%) | | THAILAND (2.3%) | |
| Consumer Staples (2.5%) | | Consumer Discretionary (2.8%) | | Industrials (2.3%) | |
| Haw Par | 2.5 | Nien Made Enterprise | 1.2 | Delta Electronics | 2.3 |
| Healthcare (2.6%) | | Taiwan Familymart | 1.6 | VIETNAM (1.9%) | |
| Raffles Medical Group | 2.6 | Industrials (2.0%) | | Industrials (1.1%) | |
| SOUTH KOREA (2.1%) | | Voltronic Power | 2.0 | REE Corp | 1.1 |
| Consumer Staples (1.1%) | | Information Technology (6.8%) | | Information Technology (0.8%) | |
| Amorepacific Group | 1.1 | Silergy | 1.3 | FPT | 0.8 |
| Healthcare (1.0%) | | Sinbon Electronics | 3.0 | | |
| Vieworks | 1.0 | Sitronix Technology | 1.2 | | |
| SRI LANKA (4.8%) | | Wistron NeWeb | 1.3 | | |
| Financials (1.0%) | | | | | |
| Hatton National Bank | 1.0 | | | | |
| Industrials (2.3%) | | | | | |
| Hemas Holdings | 1.0 | | | | |
| John Keells Holdings | 1.3 | | | | |
| Telecommunication Services (1.5%) | | | | | |
| Dialog Axiata | 1.5 | | | | |

Ten Largest Equity Holdings

as at 28 February 2018

| Company | Country | Market Valuation £'000 | % of Shareholders' Funds |
|-----------------------|-------------|---------------------------|--------------------------|
| SKF India | India | 11,968 | 3.4 |
| Towngas China | China | 11,536 | 3.3 |
| Sinbon Electronics | Taiwan | 11,129 | 3.0 |
| Concepcion Industrial | Philippines | 10,699 | 3.0 |
| Uni-President China | China | 10,565 | 3.0 |
| Raffles Medical Group | Singapore | 9,187 | 2.6 |
| China Banking | Philippines | 9,082 | 2.6 |
| Haw Par | Singapore | 8,999 | 2.5 |
| Blue Star | India | 8,982 | 2.5 |
| Tong Ren Tang | China | 8,936 | 2.5 |
| Total | | 101,083 | 28.4 |

Sector Allocation

as at 28 February 2018

| Sector | % of Shareholders' Funds |
|----------------------------|--------------------------|
| Industrials | 19.5 |
| Consumer Discretionary | 17.4 |
| Consumer Staples | 13.6 |
| Information Technology | 9.1 |
| Healthcare | 8.9 |
| Utilities | 6.9 |
| Financials | 6.5 |
| Materials | 6.3 |
| Telecommunication Services | 1.5 |
| Real Estate | 1.5 |
| Total Equities | 91.2 |
| Net current assets | 8.8 |
| Net Assets | 100.0 |

Income Statement

for the six months to 28 February 2018

| | Six months to 28 February 2018 (unaudited) | | | Six months to 28 February 2017 (unaudited) | | |
|--|--|-----------------|-----------------|--|-----------------|----------------|
| | Revenue £000 | Capital £000 | Total* £000 | Revenue £000 | Capital £000 | Total* £000 |
| (Losses)/gains on investments | – | (8,076) | (8,076) | – | 23,307 | 23,307 |
| Income from investments | 1,740 | – | 1,740 | 1,818 | – | 1,818 |
| Other income | 10 | – | 10 | 26 | – | 26 |
| Investment management fee | (1,375) | – | (1,375) | (1,254) | – | (1,254) |
| Currency (losses)/gains | – | (1,497) | (1,497) | – | 1,352 | 1,352 |
| Other administrative expenses | (490) | – | (490) | (314) | – | (314) |
| Net return before finance costs and taxation | (115) | (9,573) | (9,688) | 276 | 24,659 | 24,935 |
| Finance costs of borrowing | – | – | – | (311) | – | (311) |
| Net return on ordinary activities before taxation | (115) | (9,573) | (9,688) | (35) | 24,659 | 24,624 |
| Tax on ordinary activities | (121) | (758) | (879) | (132) | – | (132) |
| Net return attributable to equity shareholders | (236) | (10,331) | (10,567) | (167) | 24,659 | 24,492 |
| Net return per ordinary share | (0.76p) | (33.38p) | (34.14p) | (0.54p) | 79.58p | 79.04p |

* 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 2018

| | At 28 February 2018 £000 (unaudited) | At 31 August 2017 £000 (audited) |
|--|--|--|
| FIXED ASSETS – EQUITY INVESTMENTS | | |
| Bangladesh | 5,234 | 5,127 |
| China | 39,042 | 35,237 |
| Hong Kong | 17,364 | 26,591 |
| India | 86,455 | 94,060 |
| Indonesia | 27,549 | 30,067 |
| Malaysia | 9,269 | 10,988 |
| Pakistan | 5,065 | 3,602 |
| Philippines | 35,227 | 27,679 |
| Singapore | 18,185 | 19,578 |
| South Korea | 7,590 | 12,302 |
| Sri Lanka | 17,030 | 17,980 |
| Taiwan | 41,035 | 41,976 |
| Thailand | 8,151 | 8,989 |
| Vietnam | 6,577 | 4,209 |
| Total Equities | 323,773 | 338,385 |
| Net Current Assets | 31,234 | 30,871 |
| Total Assets less Current Liabilities | 355,007 | 369,256 |
| CAPITAL AND RESERVES | | |
| Ordinary share capital | 7,853 | 7,853 |
| Share premium account | 34,259 | 34,259 |
| Capital redemption reserve | 58 | 58 |
| Capital reserves | 308,057 | 318,511 |
| Revenue reserve | 4,780 | 8,575 |
| Equity Shareholders' Funds | 355,007 | 369,256 |
| Net asset value per share | 1,147.10p | 1,192.68p |

Cash Flow Statement

for the six months to 28 February 2018

| | | Six months to 28 February 2018 £000 (unaudited) | Six months to 28 February 2017 £000 (unaudited) |
|---|--------|---|---|
| Net cash outflow from operations before dividends, interest, purchases and sales | Note 8 | (1,810) | (1,213) |
| Dividends received from investments | | 2,156 | 2,439 |
| Interest received from deposits | | 10 | 26 |
| Purchases of investments | | (75,320) | (93,890) |
| Sales of investments | | 80,093 | 100,551 |
| Cash from operations | | 5,129 | 7,913 |
| Taxation | | (892) | (167) |
| Net cash inflow from operating activities | | 4,237 | 7,746 |
| Financing activities | | | |
| Interest paid on borrowings | | – | (314) |
| Equity dividend paid | | (3,559) | (3,560) |
| Buyback of ordinary shares | | (123) | (542) |
| Net cash outflow from financing activities | | (3,682) | (4,416) |
| Increase in cash and cash equivalents | | 555 | 3,330 |
| Cash and cash equivalents at the start of the period | | 32,816 | 47,352 |
| Effect of currency (losses)/gains | | (1,497) | 1,352 |
| Cash and cash equivalents at the end of the period* | | 31,874 | 52,034 |

*Cash and cash equivalents represents cash at bank

Statement of Changes in Equity

for the six months ended 28 February 2018

| | Share Capital £000 | Share Premium Account £000 | Capital Redem- ption Reserve £000 | Capital Reserves £000 | Revenue Reserve £000 | Total £000 |
|--|--------------------------|-------------------------------------|---|-----------------------------|----------------------------|----------------|
| Balance at 31 August 2017 | 7,853 | 34,259 | 58 | 318,511 | 8,575 | 369,256 |
| Total comprehensive income: | | | | | | |
| Return for the period | – | – | – | (10,331) | (236) | (10,567) |
| Transactions with owners recognised directly in equity: | | | | | | |
| Buyback of ordinary shares | – | – | – | (123) | – | (123) |
| Dividend paid in the period | – | – | – | – | (3,559) | (3,559) |
| Balance at 28 February 2018 | 7,853 | 34,259 | 58 | 308,057 | 4,780 | 355,007 |

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 |

Changes in Equity Investments

| | Valuation at 31 August 2017 £000 | Purchases £000 | Sales £000 | Appreciation/ (depreciation) £000 | Valuation at 28 February 2018 £000 |
|-------------|---|-------------------|-----------------|---|---|
| Bangladesh | 5,127 | 286 | – | (179) | 5,234 |
| China | 35,237 | 3,952 | (4,566) | 4,419 | 39,042 |
| Hong Kong | 26,591 | 2,214 | (10,450) | (991) | 17,364 |
| India | 94,060 | 18,214 | (29,075) | 3,256 | 86,455 |
| Indonesia | 30,067 | 3,202 | (1,061) | (4,659) | 27,549 |
| Malaysia | 10,988 | 3 | (1,517) | (205) | 9,269 |
| Pakistan | 3,602 | 1,888 | – | (425) | 5,065 |
| Philippines | 27,679 | 13,685 | (1,594) | (4,543) | 35,227 |
| Singapore | 19,578 | 4,725 | (5,089) | (1,029) | 18,185 |
| South Korea | 12,302 | 1,244 | (6,582) | 626 | 7,590 |
| Sri Lanka | 17,980 | 3,741 | (3,940) | (751) | 17,030 |
| Taiwan | 41,976 | 12,858 | (11,033) | (2,766) | 41,035 |
| Thailand | 8,989 | 4,134 | (3,786) | (1,186) | 8,151 |
| Vietnam | 4,209 | 2,011 | – | 357 | 6,577 |
| | <u>338,385</u> | <u>72,157</u> | <u>(78,693)</u> | <u>(8,076)</u> | <u>323,773</u> |

Notes to Accounts

- The condensed Financial Statements for the six months to 28 February 2018 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 AICs Statement of Recommended Practice issued in November 2014 and updated in January 2017 with consequential amendments.
- The position as at 31 August 2017 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 2017.
- The return per ordinary share figure is based on the net loss for the six months ended 28 February 2018 of £10,567,000 (six months ended 28 February 2017: net profit of £24,492,000) and on 30,954,196 (six months ended 28 February 2017: 30,986,885) ordinary shares, being the weighted average number of ordinary shares in issue during the respective periods.
- At 28 February 2018 there were 30,948,163 ordinary shares in issue and 465,500 ordinary shares held in Treasury (31 August 2017: 30,960,163 in issue and 453,500 held in Treasury). During the six months ended 28 February 2018, the Company bought back 12,000 ordinary shares at a total cost of £123,000, all of which have been held in Treasury for future re-issue. Since the half-year end, the Company has bought back a further 37,000 ordinary shares to be held in Treasury at a cost of £352,000.

| | At 28 February 2018 £000 | At 28 February 2017 £000 |
|--|-----------------------------------|-----------------------------------|
| 5 Amounts recognised as distributions in the period: Dividend for the year ending 31 August 2017 of 11.5p (2016 – 11.5p), paid 19 January 2018 | <u>3,559</u> | <u>3,560</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 49 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 28 February and 31 August 2018, the estimated performance fee for the year ending 31 August 2018 would amount to £nil. No performance fee has been accrued in the six months to 28 February 2018.

- 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.

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 28 February 2018.

- 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 2018 £000 | Six months to 28 February 2017 £000 |
|---|--|--|
| Net return on activities before finance costs and taxation | (9,688) | 24,935 |
| Net losses/(gains) on investments | 8,076 | (23,307) |
| Currency losses/(gains) | 1,497 | (1,352) |
| Dividend income | (1,740) | (1,818) |
| Interest income | (10) | (26) |
| (Decrease)/increase in creditors | (3) | 5 |
| Decrease in debtors | 58 | 350 |
| Net cash outflow from operations before dividends, interest, purchases and sales | (1,810) | (1,213) |

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, presently £11,700 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

Board of Directors

James Ferguson
Andrew Baird
Alexandra Mackesy
Anne West
Jeremy Whitley

Secretary

PATAC Limited
21 Walker Street
Edinburgh EH3 7HX
Email: cosec@patplc.co.uk
Tel: +44 (0)131 538 6610

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

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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

