

Edinburgh Dragon Trust plc

Half Yearly Report
for the six months ended 28 February 2015



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Investment Objective

To achieve long-term capital growth through investment in the Far East. Investments are made mainly in stock markets in the region, with the exception of Japan and Australasia, principally in large companies. When appropriate, the Company will utilise gearing to maximise long term returns.

Highlights and Financial Calendar

Financial Highlights

	28 February 2015	31 August 2014	% change
Equity shareholders' funds (£'000)	620,735	603,077	+2.9
Net asset value per share	316.2p	307.1p	+3.0
Share price (mid-market)	281.0p	272.5p	+3.1
MSCI All Country Asia (ex Japan) Index (in sterling terms)	712.2	677.3	+5.2
Discount to net asset value	11.1%	11.3%	
Net gearing ^A	6.8%	7.3%	

^A Calculated in accordance with AIC guidance "Gearing Disclosures post RDR".

Performance (total return^B)

	Six months ended 28 February 2015	Year ended 31 August 2014
Share price per share	+4.0%	+7.9%
Net asset value per share	+3.7%	+10.4%
MSCI All Country Asia (ex Japan) Index (in sterling terms)	+5.9%	+13.2%

^B Capital return plus dividends reinvested.

Financial Calendar

30 April 2015	Announcement of half yearly results for the six months ended 28 February 2015
November 2015	Announcement of annual results for year ending 31 August 2015
December 2015	Annual General Meeting
December 2015	Final Ordinary dividend payable for year ending 31 August 2015

Interim Board Report – Chairman’s Statement

Background

Global financial markets faced stiff headwinds amid an increasingly uncertain backdrop. In particular, Asia, and the broader emerging markets experienced volatility across currencies, equities and fixed income markets, as the prospect of tighter US monetary policy reduced the appetite for riskier assets and buoyed the US dollar. In Asia, growth support topped the policy agenda, with a wave of rate cuts and stimulus packages. This underpinned asset prices as well as the resilience of Asian markets over the six months under review.

Your Company’s net asset value rose by 3.7% in sterling terms on a total return basis, underperforming the benchmark MSCI All Country Asia ex Japan Index’s total return of 5.9%. The share price rose by 3.9% to 281.0p, while the discount to its net asset value narrowed slightly to 11.1% from 11.3% at the start of the period.

Overview

Policy intervention held the most sway over markets, as differing economic conditions and sharply lower oil prices allowed for greater divergence of monetary stance. The US Federal Reserve turned off the liquidity tap and indicated potential normalisation of interest rates, as the domestic recovery gained traction. Europe and Japan moved in the opposite direction, using massive stimulus to fight deflation and revitalise their economies. As a result, the US dollar appreciated against the euro and yen, as well as other Asian currencies. Elsewhere, China injected liquidity and cut interest rates, as the weakening property market and broader crackdown on corruption hampered growth. Beijing’s readiness to support its economy buoyed the stockmarket, one of Asia’s better performers.

The sharp drop in oil prices fuelled deflationary pressures. Crude fell below US\$50 at one point, as Opec moved aggressively to safeguard its market share by keeping production levels unchanged despite oversupply worries arising from weak demand and high US inventories.

The impact of weak oil was felt unevenly across Asia. Oil-importing countries India and Indonesia were beneficiaries, as their governments took the opportunity to wean the population off costly subsidies and divert resources towards more productive uses, such as infrastructure. This lifted stockmarkets in both countries, alongside optimism over economic prospects arising from newly elected reform-minded leaders. In contrast, oil exporter Malaysia was on the losing end. Concerns over the impact of lower government revenues on the country’s finances weighed heavily on its equity market.

In other parts of Asia, Philippines equities were the standout, as domestic consumption and the broader economy were underpinned by steady remittance inflows from Filipinos working overseas.

Portfolio

Your Company’s underperformance was partly due to the light exposure in China, where the stockmarket outperformed the broader region. China remains an exciting growth story but given the poor score on corporate governance, due diligence is crucial to picking the best companies. Your Company’s holdings have a firm foothold in their industries and have taken steps to adopt international management practices. Other key detractors included financial holdings, particularly HSBC and Standard Chartered, and commodities-related stocks. The underperformance was mitigated by the solid showing of stocks held in India and the Philippines.

Both HSBC and Standard Chartered grappled with a more stringent regulatory climate amid tough operating conditions. HSBC’s profits fell, partly due to fines for infractions under the previous management and, consequently, a spike in compliance costs. Current management has made some headway in stabilising revenues, with possible streamlining in poorer-performing areas, such as Brazil and Mexico. While the bank has some house-keeping to complete, your Manager remains confident of its valuable global franchise and management.

It was a similar story at Standard Chartered, where changes were more sweeping after three profit warnings in just one year. Another distraction was speculation that US regulators could re-examine its alleged sanction violations. During the period, Standard Chartered exited its underperforming cash equity, equity research and equity capital markets businesses across Asia, and closed its Swiss private banking business. It also announced an overhaul at the top, with CEO Peter Sands and chairman John Peace among those planned to leave. Your Manager views these changes as strengthening the bank, whose competitive edge remains its unique focus on emerging markets.

Among commodities-related holdings, Singapore-listed offshore rig-builder Keppel Corp was pressured by concerns that the decline in crude prices would hurt its pipeline of orders. The impact was mitigated by news that it planned to take its subsidiary (Keppel Land) private, an opportunistic move to unlock value. PetroChina and Thai-listed PTT Exploration and Production (PTTEP) also felt the impact of weaker oil; PTTEP also booked a US\$997 million impairment charge on its Montara’s oil sands projects, which was to be expected, given the plunge in oil prices. PetroChina is likely to gain from structural reform on the mainland of China, giving it scope to improve returns by streamlining operations and selling non-core assets. PTTEP has set its sights on

expanding abroad, with plans to invest substantially in Myanmar.

On the other hand, your Company's Indian holdings were impressive. Housing Development Finance Corp posted robust loan growth and higher margins, amid stable asset quality. It has remained competitive, boasting the lowest cost structure industry-wide, and benefits from steady growth in home mortgages. In the IT sector, Infosys' better-than-expected margins drove an upward re-rating of its stock. The company has started putting its US\$5.5 billion cash pile to use, recently buying Israeli software company Panaya to enhance its automation technologies. Grasim Industries and its subsidiary UltraTech Cement rallied on hopes that the government's focus on infrastructure would translate into higher construction activity, boosting cement demand.

The Company's Philippine holdings also did well. Ayala Land posted decent revenue growth, as land sale prices reached new heights. It raised US\$350 million via a share placement, as it seeks to ramp up its domestic presence over the next five years. The Bank of the Philippines Islands reported healthier growth in loans, deposits and net interest income.

During the period, your Manager introduced two stocks: MTR Corp is a city rail operator in Hong Kong and mainland China with property assets related to its core rail operations. It also develops properties and is the largest land-bank owner in Hong Kong. MTR generates steady cash flows from its defensive rail business, backed by a good reputation. It has been conservative when expanding abroad, thus avoiding overstretched finances.

The other addition is China Resources Enterprise, a conglomerate with interests in retailing, beverage, food, textiles and real estate in China and Hong Kong. It is a joint-venture partner of SABMiller in China and a market leader in beer. The company is integrating the Tesco operations, acquired through a joint venture. This will take time but should place it on an even firmer footing in the retail segment.

Your Manager also participated in the rights issue of Singapore-based OCBC, given the attractive 25% discount, which was used to strengthen its balance sheet after the mid-2014 takeover of Wing Hang Bank, an attractive acquisition that will expand its presence in Hong Kong, China and Macau.

Discounts and Share Buybacks

The Board monitors closely the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buy back shares at certain levels. Since the start of 2015, Dragon's average

discount has widened, trading at times in excess of 10%, and the discount as at 28 February 2015 was 11.1%. Dragon was not alone with this phenomenon as discounts across the sector also widened. The Board therefore agreed that it was appropriate for the Company to undertake share buybacks where to do so would be in the interests of shareholders.

During the six months ended 28 February 2015, 75,000 shares were bought back for cancellation at a cost of £215,000. Since the period end, a further 277,000 shares have been bought back for cancellation at a cost of £790,000. In order to give more flexibility for the future, the Board decided that shares bought back should be held in treasury and subsequently a further 454,630 shares were bought back into treasury at a cost of £1.3 million.

Revenue Account

For the six months to 28 February 2015, the revenue account recorded a deficit on ordinary activities after taxation of £1,248,000, representing (0.64p) per share compared with a deficit of £1,043,000 for the six months to 28 February 2014. The majority of the Company's portfolio income, in line with the majority of Asian dividend income, is accounted for in the second half of the Company's financial year and the Company anticipates making a positive revenue return for its full financial year.

Events during the Period

At the Company's Annual General Meeting on 16 December 2014, all resolutions were passed. A final dividend of 2.2p was paid to shareholders on 19 December 2014.

Outlook

The overriding concern of financial markets remains the heavy hand of policymakers. Europe has started its quantitative easing, but the US could soon tighten rates. The net impact on the global economy is hard to gauge. Meanwhile, a rising US dollar has clouded the timing of the Fed's impending rate hike. Continued dollar strength will hurt exports and constrain inflation, potentially stalling the US recovery. Not surprisingly, Fed chairman Yellen is now treading a more dovish path.

Nonetheless, US policy normalisation will happen, and along with that, repercussions for the rest of the world. For Asia, this may mean capital outflows and higher borrowing costs for companies owing to tighter liquidity and depreciating currencies vis-a-vis the US dollar. Increased uncertainty will undermine confidence and, in turn, curb consumer spending and investments.

The good thing is that Asian governments and central banks are already preparing for the inevitable, aided by benign inflation. Structural reform towards more domestically-based

Interim Board Report – Chairman’s Statement continued

growth is also gathering pace. Over the long term, this will better insulate the region from external shocks.

Current conditions appear challenging for companies. The winners will be the ones in capable hands with good corporate governance that can continue to grow the business while keeping a tight rein on costs to protect margins; sub-standard ones will struggle to perform.

I am confident that your Manager's rigorous stock-picking investment style and the quality of the portfolio holdings will place your Company in good stead, and position it well for the future.

On a broader level, Asia remains a convincing long-term story, given its growing middle class with rising incomes that will underpin demand for many years to come.

For Edinburgh Dragon Trust plc
Allan McKenzie
Chairman

29 April 2015

Interim Board Report – Other

Principal Risks and Uncertainties

The principal risks identified by the Board are as follows:

Resource risk

The Company is an investment trust and has no employees. The responsibility for the provision of investment management, marketing and administration services for the Company has been delegated to Aberdeen Fund Managers Limited ('AFML') under the management agreement. The terms of the management agreement cover the necessary duties and conditions expected of the Manager. The Board reviews the performance of the Manager on a regular basis and their compliance with the management contract formally on an annual basis. As part of that review, the Board assesses the Manager's succession plans, risk management framework and marketing activities. In addition, the Board visits the Manager's Singapore office, where the day-to-day investment management is undertaken, on a biennial basis.

Investment and market risk

The Company is exposed to the effect of variations in share prices due to the nature of its business. Investment in Asian equities involves a greater degree of risk than that usually associated with investment in the major developed markets, including the risk of social, political and economic instability including changes in government which may restrict investment opportunities and have an adverse effect on economic reform. Changes in legal, regulatory and accounting policies, currency fluctuations and changes in interest rates may affect the value of the Company's investments and the income derived therefrom.

The Board continually monitors the investment policy of the Company, taking account of stockmarket factors, and reviews the Company's performance compared to its benchmark index and peer group. Further details on other risks relating to the Company's investment activities, including market price, liquidity and foreign currency risks, are provided in note 18 to the financial statements of the 2014 Annual Report.

Concentration risk

Trading volumes in certain securities of emerging markets can be low. The Investment Manager may accumulate investment positions across all its managed funds that represent a significant multiple of the normal trading volumes of an investment which may result in lack of liquidity and price volatility. Accordingly, the Company will not necessarily be able to realise, within a short period of time, an illiquid investment and any such realisation that may be achieved may be at considerably lower prices than the Company's valuation of that investment for the purpose of calculating the NAV per Ordinary Share.

Gearing risk

As at 28 February 2015 the Company had £59.8 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS). Gearing has the effect of amplifying market falls and gains. In order to manage the level of gearing, the Board has set a maximum gearing ratio of 20%.

Regulatory risk

The Company operates in a complex regulatory environment and faces a number of regulatory risks. Serious breaches of regulations, such as the tax rules for investment companies, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.

Discount volatility

The Company's share price can trade at a discount to its underlying net asset value. The Board monitors the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buy back shares within certain limits.

Reliance on Third Party Service Providers

The Company has entered into a number of contracts with third party providers including share registrar and depository services. Failure by any service provider to carry out its contractual obligations could have a detrimental impact on the Company operations. The performance of third party providers is reviewed on an annual basis.

The Company has established a comprehensive framework for managing these risks which is evolving continually as the Company's investment activities change in response to market developments.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the portfolio of readily realisable securities and the ability of the Company to meet all its liabilities and ongoing expenses from its assets.

Responsibility Statement of the Directors in Respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement *Half-yearly financial reports* issued by the UK Accounting Standards Board;

Interim Board Report – Other continued

- the interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For Edinburgh Dragon Trust plc
Allan McKenzie
Chairman

29 April 2015

Investment Portfolio

As at 28 February 2015

Company	Industry	Country	Valuation £'000	Total assets ^c %
Samsung Electronics Pref	Technology Hardware Storage & Peripherals	South Korea	36,314	5.4
Oversea-Chinese Banking Corporation	Banks	Singapore	32,787	4.8
Housing Development Finance Corp	Thriffs & Mortgage Finance	India	32,532	4.7
Jardine Strategic Holdings	Industrial Conglomerates	Hong Kong	30,473	4.5
AIA Group	Insurance	Hong Kong	28,379	4.2
Taiwan Semiconductor Manufacturing Company	Semiconductors & Semiconductor Equipment	Taiwan	27,213	4.0
China Mobile	Wireless Telecommunication Services	China	26,502	3.9
Siam Cement (Alien)	Construction Materials	Thailand	25,108	3.7
HSBC Holdings	Banks	Hong Kong	23,061	3.4
United Overseas Bank	Banks	Singapore	22,988	3.4
Ten largest investments			285,357	42.0
Standard Chartered ^A	Banks	United Kingdom	22,350	3.3
Swire Pacific 'B'	Real Estate Management & Development	Hong Kong	22,185	3.3
Singapore Telecommunications	Diversified Telecommunication Services	Singapore	20,535	3.0
City Developments	Real Estate Management & Development	Singapore	20,062	3.0
Infosys	IT Services	India	19,226	2.8
Singapore Technologies Engineering	Aerospace & Defence	Singapore	17,126	2.5
Grasim Industries	Construction Materials	India	15,289	2.3
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	14,828	2.2
Ayala Land	Real Estate Management & Development	Philippines	13,034	1.9
Bank of Philippine Islands	Banks	Philippines	12,870	1.9
Twenty largest investments			462,862	68.2
John Keells Holdings ^B	Industrial Conglomerates	Sri Lanka	12,753	1.9
Keppel Corp	Industrial Conglomerates	Singapore	11,946	1.8
Dairy Farm International	Food & Staples Retailing	Hong Kong	11,640	1.7
CNOOC	Oil, Gas & Consumable Fuels	China	11,612	1.7
Hero Motocorp	Automobiles	India	11,228	1.7
ICICI Bank	Banks	India	9,850	1.5
DBS Group	Banks	Singapore	9,396	1.4
PetroChina 'H'	Oil, Gas & Consumable Fuels	China	9,052	1.3
Hang Lung Group	Real Estate Management & Development	Hong Kong	8,789	1.3
Hang Lung Properties	Real Estate Management & Development	Hong Kong	8,293	1.2
Thirty largest investments			567,421	83.7

Investment Portfolio continued

Company	Industry	Country	Valuation £'000	Total assets ^c %
PTT Exploration & Production (Alien)	Oil, Gas & Consumable Fuels	Thailand	8,028	1.2
E-Mart Co	Food & Staples Retailing	South Korea	7,900	1.2
ITC	Tobacco	India	7,612	1.1
Public Bank	Banks	Malaysia	6,983	1.0
CIMB Group Holdings	Banks	Malaysia	6,576	1.0
British American Tobacco Malaysia	Tobacco	Malaysia	6,451	1.0
Li & Fung	Textiles, Apparel & Luxury Goods	Hong Kong	6,284	0.9
DFCC Bank	Banks	Sri Lanka	6,094	0.9
Venture Corp	Electronic Equipment Instruments & Components	Singapore	5,756	0.8
Swire Properties	Real Estate Management & Development	Hong Kong	5,328	0.8
Forty largest investments			634,433	93.6
Unilever Indonesia	Household Products	Indonesia	5,086	0.7
ASM Pacific Technology	Semiconductors & Semiconductor Equipment	Hong Kong	4,716	0.7
Ultratech Cement	Construction Materials	India	4,350	0.6
BS Financial Group	Banks	South Korea	3,692	0.5
DGB Financial Group	Banks	South Korea	3,507	0.5
China Resources Enterprise	Food & Staples Retailing	China	2,867	0.4
MTR Corp	Road & Rail	Hong Kong	1,946	0.3
Shinsegae Company	Multiline Retail	South Korea	1,403	0.2
Global Brands Group	Textiles, Apparel & Luxury Goods	Hong Kong	1,046	0.2
Total investments			663,046	97.7
Net current assets			15,621	2.3
Total assets^c			678,667	100.0

^a Valuation amalgamates both UK (£18,657,000) and Hong Kong (£3,693,000) listed equity holdings.

^b Valuation amalgamates both equity (£12,541,000) and warrant (£212,000) holdings.

^c Total assets less current liabilities.

Income Statement

	Six months ended 28 February 2015 (unaudited)			Six months ended 28 February 2014 (unaudited)			Year ended 31 August 2014 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	–	23,470	23,470	–	(26,171)	(26,171)	–	50,341	50,341
Net currency losses	–	(32)	(32)	–	(86)	(86)	–	(43)	(43)
Income (note 2)	3,863	–	3,863	3,887	–	3,887	17,010	–	17,010
Investment management fee	(3,079)	–	(3,079)	(2,683)	–	(2,683)	(5,597)	–	(5,597)
Administrative expenses	(514)	–	(514)	(636)	–	(636)	(1,203)	–	(1,203)
Net return before finance costs and taxation	270	23,438	23,708	568	(26,257)	(25,689)	10,210	50,298	60,508
Interest payable and other charges	(1,350)	–	(1,350)	(1,351)	–	(1,351)	(2,741)	–	(2,741)
Return on ordinary activities before taxation	(1,080)	23,438	22,358	(783)	(26,257)	(27,040)	7,469	50,298	57,767
Taxation (note 3)	(168)	–	(168)	(260)	–	(260)	(732)	(6)	(738)
Return on ordinary activities after taxation	(1,248)	23,438	22,190	(1,043)	(26,257)	(27,300)	6,737	50,292	57,029
Return per Ordinary share (pence)(note 4)									
Basic	(0.64)	11.94	11.30	(0.53)	(13.37)	(13.90)	3.43	25.61	29.04
Diluted	n/a	10.87	10.82	n/a	n/a	n/a	n/a	23.32	27.59

The total columns of this statement represent the profit and loss account of the Company.

A Statement of Total Recognised Gains and Losses has not been presented as all gains and losses are recognised in the Income Statement.

All revenue and capital items in the above statement derive from continuing operations.

Balance Sheet

	Notes	As at 28 February 2015 (unaudited) £'000	As at 28 February 2014 (unaudited) £'000	As at 31 August 2014 (audited) £'000
Non-current assets				
Investments at fair value through profit or loss		663,046	573,624	646,672
Current assets				
Debtors and prepayments	9	1,787	1,777	2,850
Money market funds		14,200	–	7,000
Cash and short term deposits		1,761	2,333	6,209
		17,748	4,110	16,059
Creditors: amounts falling due within one year				
Other creditors		(2,127)	(1,697)	(2,040)
Net current assets		15,621	2,413	14,019
Total assets less current liabilities		678,667	576,037	660,691
Creditors: amounts falling due after more than one year				
3.5% Convertible Unsecured Loan Stock 2018	10	(57,932)	(57,295)	(57,614)
Net assets		620,735	518,742	603,077
Capital and reserves				
Called-up share capital		39,260	39,275	39,275
Share premium account		4,478	4,468	4,475
Special reserve		6,511	6,726	6,726
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	10	1,689	2,279	1,981
Capital redemption reserve		16,960	16,945	16,945
Capital reserve	6	534,550	434,563	511,112
Revenue reserve		17,287	14,486	22,563
Equity shareholders' funds		620,735	518,742	603,077
Net asset value per Ordinary share (pence)				
Basic	7	316.21	264.16	307.10
Diluted		314.81	n/a	n/a

Reconciliation of Movements in Shareholders' Funds

Six months ended 28 February 2015 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Equity component CULS 2018 £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2014	39,275	4,475	6,726	1,981	16,945	511,112	22,563	603,077
Return on ordinary activities after taxation	–	–	–	–	–	23,438	(1,248)	22,190
Dividend paid	–	–	–	–	–	–	(4,320)	(4,320)
Share Buybacks	(15)	–	(215)	–	15	–	–	(215)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	–	3	–	–	–	–	–	3
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	(292)	–	–	292	–
Balance at 28 February 2015	39,260	4,478	6,511	1,689	16,960	534,550	17,287	620,735

Six months ended 28 February 2014 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Equity component CULS 2018 £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2013	39,274	4,452	6,726	2,572	16,945	460,820	19,557	550,346
Return on ordinary activities after taxation	–	–	–	–	–	(26,257)	(1,043)	(27,300)
Dividend paid	–	–	–	–	–	–	(4,320)	(4,320)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	1	16	–	(1)	–	–	–	16
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	(292)	–	–	292	–
Balance at 28 February 2014	39,275	4,468	6,726	2,279	16,945	434,563	14,486	518,742

Year ended 31 August 2014 (audited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Equity component CULS 2018 £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2013	39,274	4,452	6,726	2,572	16,945	460,820	19,557	550,346
Return on ordinary activities after taxation	–	–	–	–	–	50,292	6,737	57,029
Dividend paid	–	–	–	–	–	–	(4,320)	(4,320)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	1	23	–	(2)	–	–	–	22
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	(589)	–	–	589	–
Balance at 31 August 2014	39,275	4,475	6,726	1,981	16,945	511,112	22,563	603,077

Cash Flow Statement

	Six months ended 28 February 2015 (unaudited) £'000	Six months ended 28 February 2014 (unaudited) £'000	Year ended 31 August 2014 (audited) £'000
Net return on ordinary activities before finance costs and taxation	23,708	(25,689)	60,508
Adjustments for:			
(Gains)/losses on investments	(23,470)	26,171	(50,341)
Currency losses	32	86	43
Decrease/(increase) in accrued income	474	528	(263)
(Increase)/decrease in other debtors	(58)	(12)	25
Increase/(decrease) in creditors	45	(99)	110
Net cash inflow from operating activities	731	985	10,082
Net cash outflow from servicing of finance	(1,047)	(1,047)	(2,094)
Net tax paid	(61)	(115)	(374)
Net cash inflow from financial investment	7,696	2,692	5,734
Purchase of money market funds	(7,200)	–	(7,000)
Equity dividend paid	(4,320)	(4,320)	(4,320)
Net cash outflow from financing	(215)	–	–
(Decrease)/increase in cash	(4,416)	(1,805)	2,028
Reconciliation of net cash flow to movements in net debt			
(Decrease)/increase in cash as above	(4,416)	(1,805)	2,028
Other non-cash movements	(318)	(305)	(624)
Net change in liquid resources	7,200	–	7,000
Exchange movements	(32)	(86)	(43)
Movement in net debt in the period	2,434	(2,196)	8,361
Opening net debt	(44,405)	(52,766)	(52,766)
Closing net debt	(41,971)	(54,962)	(44,405)

Notes to the Financial Statements

1. Accounting policies

The financial statements have been prepared in accordance with applicable UK Accounting Standards, with pronouncements on half-yearly reporting issued by the Accounting Standards Board and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The financial statements and the net asset value per share figures have been prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

The half-yearly financial statements have been prepared using the same accounting policies as the preceding annual accounts.

	Six months ended 28 February 2015 £'000	Six months ended 28 February 2014 £'000	Year ended 31 August 2014 £'000
2. Income			
Income from investments			
UK dividend income	267	179	903
Overseas dividends	3,580	3,558	13,714
Scrip dividends	–	148	2,381
	3,847	3,885	16,998
Other income			
Deposit interest	1	2	4
Interest from money market funds	15	–	8
	16	2	12
Total income	3,863	3,887	17,010

3. The taxation for the period represents withholding tax suffered on overseas dividend income. An amount of £134,000 of recoverable Taiwan withholding tax was recognised in the six months to 28 February 2015.

	Six months ended 28 February 2015 p	Six months ended 28 February 2014 p	Year ended 31 August 2014 p
4. Return per Ordinary share			
Basic			
Revenue return	(0.64)	(0.53)	3.43
Capital return	11.94	(13.37)	25.61
Total return	11.30	(13.90)	29.04

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	(1,248)	(1,043)	6,737
Capital return	23,438	(26,257)	50,292
Total return	22,190	(27,300)	57,029
Weighted average number of Ordinary shares in issue	196,364,973	196,369,349	196,371,896

Notes to the Financial Statements *continued*

	Six months ended 28 February 2015 p	Six months ended 28 February 2014 p	Year ended 31 August 2014 p
Diluted			
Revenue return	n/a	n/a	n/a
Capital return	10.87	n/a	23.32
Total return	10.82	n/a	27.59

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	(99)	47	9,218
Capital return	23,438	(26,257)	50,292
Total return	23,339	(26,210)	59,510
Number of dilutive shares	19,279,638	19,287,149	19,284,599
Diluted shares in issue	215,644,611	215,656,498	215,656,495

The calculation of the diluted total, revenue and capital returns per Ordinary share is carried out in accordance with Financial Reporting Standard No. 22 "Earnings per Share". For the purpose of calculating diluted total, revenue and capital returns per Ordinary share, the number of Ordinary shares used is the weighted average number used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all 3.5% Convertible Unsecured Loan Stock 2018 ("CULS").

As at 28 February 2015 and 31 August 2014 there was no dilution to the revenue return per Ordinary share. For the period ended 28 February 2014 the potential Ordinary shares were non dilutive as the Ordinary share price was below the CULS conversion price. Where dilution occurs, the net returns are adjusted for items relating to the CULS. Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted. Accrued CULS finance costs for the period and unamortised issue expenses are reversed.

5. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the Income Statement. The total costs were as follows:

	Six months ended 28 February 2015 £'000	Six months ended 28 February 2014 £'000	Year ended 31 August 2014 £'000
Purchases	65	19	58
Sales	136	55	101
	201	74	159

6. Capital reserves

The capital reserve reflected in the Balance Sheet at 28 February 2015 includes gains of £274,956,000 (28 February 2014 – £208,295,000; 31 August 2014 – £270,246,000) which relate to the revaluation of investments held at the reporting date.

7. Net asset value

The net asset value per share and the net assets attributable to the Ordinary shareholders at the period end were as follows:

	As at 28 February 2015	As at 28 February 2014	As at 31 August 2014
Basic			
Net assets attributable (£'000)	620,735	518,742	603,077
Number of Ordinary shares in issue	196,302,642	196,374,115	196,376,759
Net asset value per share (pence)	316.21	264.16	307.10
Diluted			
Net assets attributable assuming conversion of CULS (£'000)	678,667	–	–
Number of potential Ordinary shares in issue	215,581,488	196,374,115	196,376,759
Net asset value per share (pence)	314.81	–	–

The diluted net asset value per Ordinary share has been calculated in accordance with guidelines issued by the Association of Investment Companies ("AIC") on the assumption that the £59,793,881 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") are converted at a rate of 1 Ordinary share for every 310.1528p nominal of CULS at the period end, resulting in 19,278,846 additional Ordinary shares. Where dilution occurs, the net assets are adjusted for items relating to the CULS.

Net asset value per share – debt converted

In accordance with AIC guidance, convertible bond instruments are deemed to be 'in the money' if the cum income (debt at fair value) net asset value ("NAV") exceeds the conversion price per share (310.1528p). In such circumstances a NAV is produced and disclosed assuming the convertible debt is fully converted. At 28 February 2015 the cum income (debt at fair value) NAV was 316.21p and thus the CULS were 'in the money'. At 28 February and 31 August 2014 the CULS were not 'in the money'.

	Six months ended 28 February 2015 £'000	Six months ended 28 February 2014 £'000	Year ended 31 August 2014 £'000
8. Dividends			
2013 final dividend – 2.2p	–	4,320	4,320
2014 final dividend – 2.2p	4,320	–	–
	4,320	4,320	4,320

There will be no interim dividend for the year to 31 August 2015 (2014 – nil) as the objective of the Company is long-term capital appreciation.

9. Debtors and prepayments

Included in debtors is an amount of USD 696,000 (28 February and 31 August 2014 – USD 696,000), equivalent to £451,000 (28 February 2014 – £415,000; 31 August 2014 – £405,000), being the estimated recovery of funds following the settlement between Aberdeen Asset Managers Limited and Satyam Computer Services in relation to a claim made following the discovery of a financial fraud, which lead to the sale of the stock at a weakened price.

Notes to the Financial Statements *continued*

10. Creditors: amounts falling due after more than one year

	Number of units	Liability component	Equity component
	£000	£000	£000
3.5% Convertible Unsecured Loan Stock 2018 ("CULS")			
Balance at beginning of period	59,797	57,614	1,981
Conversion of CULS into Ordinary shares	(3)	(3)	–
Notional interest element on CULS	–	292	–
Notional interest element on CULS transferred to revenue reserve	–	–	(292)
Amortisation of issue expenses	–	29	–
Balance at end of period	59,794	57,932	1,689

On 12, 26 and 27 January 2011, the Company issued a total of £60,000,000 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS"). The CULS can be converted at the election of holders into Ordinary Shares during the months of January and July each year throughout their life, to January 2018 at a rate of 1 Ordinary share for every 310.1528p nominal of CULS. Once 80% of the CULS issued have been converted the Company is allowed to request that holders redeem or convert the remainder. Interest is paid on the CULS on 31 January and 31 July each year, of which 100% is charged to revenue in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

The Company has decided to make an annual transfer between the equity component of the CULS and the revenue reserve so that the revenue reserve reflects distributable reserves as defined by company law.

Following the receipt of election instructions from CULS holders, on 10 February 2015 the Company converted £2,743 nominal amount of CULS into 883 Ordinary shares. As at 28 February 2015, there was £59,793,881 nominal amount of CULS in issue.

11. Called-up share capital

As at 28 February 2015 there were 196,302,642 (28 February 2014 – 196,374,115; 31 August 2014 – 196,376,759) Ordinary shares in issue. Following the period end a further 277,000 Ordinary shares have been bought back for cancellation and a further 479,630 Ordinary shares have been bought back for treasury resulting in there being 195,546,012 Ordinary shares in issue and 479,630 Ordinary shares held for treasury at the date this Report was approved.

12. Half-Yearly Financial Report

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 28 February 2015 and 28 February 2014 has not been audited.

The information for the year ended 31 August 2014 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under Section 498 of the Companies Act 2006.

The auditor has reviewed the financial information for the six months ended 28 February 2015 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The report of the auditor is on page 17.

13. This Half-Yearly Financial Report was approved by the Board on 29 April 2015.

Independent Review Report to Edinburgh Dragon Trust plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2015 which comprises the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholder's Funds, Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK

and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2015 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board and the DTR of the UK FCA.

Philip Merchant

for and on behalf of KPMG LLP
Chartered Accountants
Edinburgh

29 April 2015

How to Invest in Edinburgh Dragon Trust plc

Direct

Investors can buy and sell shares in Edinburgh Dragon Trust plc directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Many have online facilities. Alternatively, for retail clients, shares may be bought directly through Aberdeen's Investment Plan for Children, Investment Trust Share Plan, Investment Trust ISA or ISA Transfer.

Suitable for Retail/NMPI Status

The Company's shares are designed for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who seek total returns from investment in Asian markets and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that securities issued by Edinburgh Dragon Trust plc can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments (NMPIs) and intends to continue to do so for the foreseeable future.

The Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to non-mainstream pooled investments because they are shares in an investment trust.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("Aberdeen") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management, including Edinburgh Dragon Trust plc. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

Aberdeen's Investment Trust Share Plan

Aberdeen runs a Share Plan (the "Plan") through which shares in Edinburgh Dragon Trust plc can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time.

Aberdeen Investment Trust ISA

Aberdeen offers a stocks and shares ISA which allows you to invest up to £15,240 in the tax year 2015/16.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer previous tax year investments to us, which can be invested in Edinburgh Dragon Trust plc while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in Aberdeen's Investment Trust Share Plan, Investment Plan for Children and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

Keeping You Informed

Edinburgh Dragon Trust plc's share price appears daily in the Financial Times.

For internet users, detailed data on Edinburgh Dragon Trust plc, including price, performance information and a monthly factsheet, is available on the Company's website (www.edinburghdragon.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively you can call 0500 00 00 40 for trust information.

Main Registrar

If you have an administrative query which relates to a direct shareholding, please contact the Company's Registrar, as follows:

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

Telephone: 0870 889 4084
Website: www.computershare.co.uk
Email: www-uk.computershare.com/investor/contactus

Literature Request Service

For literature and application forms for the Aberdeen investment trust products, please contact:

Telephone: 0500 00 40 00
Email: aam@lit-request.com

Customer Service

For information on the Aberdeen's Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Tel: 0500 00 00 40
E-mail inv.trusts@aberdeen-asset.com

Details are also available on www.invttrusts.co.uk.

Terms and Conditions for Aberdeen managed savings products can be found under the Literature section of our website at invttrusts.co.uk

Online Dealing Providers

Investor Information

There are a number of other ways in which you can buy and hold shares in this investment trust.

Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell You Invest
Alliance Trust Savings
Barclays Stockbrokers
Charles Stanley Direct
Halifax Share Dealing
Hargreave Hale
Hargreaves Lansdown
Idealing
Interactive Investor
Selftrade
Stocktrade
TD Direct
The Share Centre

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at www.thewma.co.uk

Independent Financial Advisers

To find an adviser who recommends on investment trusts, visit www.unbiased.co.uk

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Telephone: 0800 111 6768
Website: www.fca.org.uk/firms/systems-reporting/register/search
Email: register@fca.org.uk

Investor Warning: Be alert to share fraud and boiler room scams

We have been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Asset Management or for third party firms. We have also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen and any third party making such offers/claims has no link with Aberdeen. Aberdeen Asset Management does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our investor services centre using the details on our **Contact Us** page.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams:
<http://www.fca.org.uk/consumers/scams>

The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Corporate Information

Directors

Allan McKenzie (Chairman)
Kathryn Langridge
Tony Lowrie
Peter Maynard
Iain McLaren

Manager, Secretary and Registered Office

Alternative Investment Fund Manager *

Aberdeen Fund Managers Limited
Bow Bells House
1 Bread Street
London EC4M 9HH

Website: www.aberdeen-asset.com

* appointed as required by EU Directive 2011/61/EU).

Investment Manager

Aberdeen Asset Management Asia Limited
(a subsidiary of Aberdeen Asset Management PLC which is authorised and regulated by the Financial Conduct Authority)

Secretary and Registered Office

Aberdeen Asset Managers Limited
7th Floor
40 Princes Street
Edinburgh EH2 2BY

Telephone: 0131 528 4000

(a subsidiary of Aberdeen Asset Management PLC which is authorised and regulated by the Financial Conduct Authority)

Website

www.edinburghdragon.co.uk

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone: 0871 384 2499
Website: www.equiniti.com

Depository

BNP Paribas Securities Services, London Branch

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Company Broker

Winterflood Securities
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Foreign Account Tax Compliance Act ("FATCA") Registration Number (GIIN)

IRS Registration Number (GIIN): 2WA1VW.99999.SL.826

Company Registration Number

SC106049

Pre-investment Disclosure Document (PIDD)

The Alternative Investment Fund Managers Directive ("AIFMD") requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Edinburgh Dragon Trust plc ("the Company"), to make available to investors certain information prior to such investors' investment in the Company. The AIFMD is intended to offer increased protection to investors in investment products that do not fall under the existing European Union regime for regulation of investment products known as the UCITS regime.

The Company's PIDD is available for viewing on the Company's website.



